

Strategic Grantmaking

Foundations and the School Privatization Movement

Rick Cohen



national committee for
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Foundations and the School Privatization Movement

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Rick Cohen, November 2007

Foreword

In my years as a community organizer, I have found that no issue touches the hearts of people from all walks of life the way education does. People care passionately about the quality of education their children or grandchildren receive. They care about the impact school quality has on community life. And they care about the role of the public education system in supporting our democracy. Education touches the core of people's hopes and dreams for themselves and their communities.

This report builds on a series of NCRP studies examining the grantmaking practices of conservative foundations. We chose to focus this report on a single issue—education—to understand better the grantmaking strategies that move a particular issue agenda over time. We also chose to focus on education because of the immense implications that privatizing public education has on our democracy. For most children, public education is their first interaction with a democratic institution. Privatizing public education transforms the educational environment from one that builds a sense of collective purpose and nurtures democratic ideals to one that emphasizes individual choice and makes education a commodity to be produced and consumed in the marketplace.

Those who advocate for and fund the education privatization agenda, as you will see in this report, have been thoughtful in their approach and have met with some significant success. The strategic grantmaking shown by funders in this report easily could be mimicked by other grantmakers hoping to have an impact on education policy or other issues.



Aaron Dorfman
NCRP Executive Director

Executive Summary

Previous research reports by the National Committee for Responsive Philanthropy have shown how conservative foundations have used strategic grantmaking successfully to further their agenda. *Strategic Grantmaking: Foundations and the School Privatization Movement* takes a look at an issue central to American democracy—the public education system—and asks: What have conservative foundations done with their grant dollars to promote concepts of privatizing public education through “school choice,” primarily linked to school vouchers? What were their strategies in providing resources to an array of conservative education think tanks, public policy advocates and organizers?

Our research examined 132 organizations—think tanks, advocacy organizations, parent organizations and education scholarship organizations—that provided research and promoted support for school choice in the form of school vouchers or education tax credits. These groups range from small organizations to institutions that operate at the national level and have multi-million dollar annual budgets.

From 2002 to 2006, we found 1,212 distinct foundations giving grants to 104 of the 132 identified school choice organizations, with total grants exceeding \$100 million in some years. The Walton Family Foundation dwarfed all other foundation funders of this movement, providing more than \$25 million in 2005 for organizations that promote school choice. They are joined by 29 other foundations—some not known as ideologically conservative—each of which provided more than half a million dollars for the cause during that year.

We found that funders of the privatization movement use particular strategies that differ from more traditional grantmaking practices. In particular, the funders in this study provided unrestricted general operating support to their grantees at rates significantly high-

er than most foundations. This approach allows flexibility for organizations on the ground to adjust strategies and tactics to changing conditions and trusts those organizations to put the funding to its best use. The funders in this study also tend to pay out in grants significantly more than the federally mandated 5 percent of assets, recognizing that advancing an agenda requires getting money “into the streets” and into the hands of organizations moving the agenda.

In addition to funding tax-exempt 501(c)(3) organizations with foundation dollars, leaders of foundations that fund the privatization movement also support their cause by funding candidates, political parties, political action committees (PACs) and 501(c)(4) organizations with personal contributions. These foundation leaders gave overwhelmingly to Republican candidates and causes.

This report shows how philanthropic capital from small and large foundations has helped build political support for the school privatization agenda. It can serve as a case study for other foundation and nonprofit leaders who are interested in effective, strategic movement-building grantmaking.

I. Introduction

Like many political issues dividing the American public, the notion of “school choice” through school vouchers provokes visceral responses from adherents and opponents alike. This report examines a relatively simple but little researched aspect of U.S. philanthropy on this issue: What have conservative foundations done with their grant dollars to promote concepts of privatizing public education through “school choice,” primarily linked to school vouchers? What was their strategy in providing resources to an array of conservative education think tanks, public policy advocates and organizers?

In this report, we examine the following:

- Recent trends in conservative foundation grantmaking that promote school choice at the local and state levels (through vouchers), and the state and federal levels (through education tax credits);
- The kinds of grants awarded by conservative foundations—particularly core operating grants—to sustain the organizations involved in promoting school vouchers;
- The most active school choice grantmakers and the most frequently assisted school choice advocates; and,
- Interrelationships between conservative grantmakers and school choice advocates in terms of overlapping board members and, in some instances, political campaign contributions.

Studies of conservative foundation grantmaking over the years have led researchers to several observations that are underscored in this report:

- The importance that conservative foundations attach to the provision of general operating support, essentially providing their grantees with flexible working capital to respond to short-term opportunities and to tackle longer run systemic issues;
- The ability of conservative foundations to get their money “into the street” and into the hands or operating budgets of activist organizations, and distributing grant funds significantly above the federally mandated private foundation “payout” rate of 5 percent of assets per year, realizing that to move a political agenda, it takes organization and money; and,
- The willingness of conservative foundations to support public policy advocacy and organizing to promote their political *weltanschauung* writ large and when focused narrowly on specific issues.

This report adds perspectives on a large number of conservative funders, extending beyond the usual commentary that focuses on the larger, better known conservative foundations such as the Lynde and Harry F. Bradley Foundation, the Olin Foundation, the Walton Family Foundation and roughly a dozen others. In addition, the report also takes note of the political involvement of conservative funders and their school choice grantees, including principals’ contributions to electoral campaigns and Political Action Committees (PACs).

Vouchers have received some interest and support from political leaders and press pundits not typically categorized as conservative or right wing.¹ The literature on the subject frequently reflects the tenor of political and civil discourse in our society, crafting stereotyped

1. Listed as having supported school vouchers in various settings have been California Senator Diane Feinstein, West Virginia Senator Robert Byrd, and Washington Post columnist William Raspberry. Cf. Paul Magnusson, “The Split over School Vouchers,” *Business Week*, October 13, 2003, http://www.businessweek.com/magazine/content/03_41/b3853127_mz021.htm.

“straw men” characterizations of opposing positions to frame one side’s position in positive terms and to dismiss the other’s as misleading and erroneous.² In simply focusing on conservative foundation support for the backers of school choice, this report offers no epiphanies about what is right or wrong about school vouchers or education tax credits. It simply unveils the philanthropic funding dynamics supporting one side of the debate, the privatization of public education side, which often are little recognized by the public and even by nonprofit leaders.

In addressing school choice, this report focuses largely on vouchers and steers clear of looking at support for promoters of charter schools.

A. SCHOOL CHOICE AND THE PRIVATIZATION OF EDUCATION

School vouchers, tax credits and charter schools are three of the usual forms of school choice related to efforts to privatize public education. This report focuses on the first two. While most school choice advocates view charter schools as one of a number of laudable mechanisms for promoting their privatized K-12 education agenda, charters increasingly generate support from an ideologically wide range of observers. While we cannot ignore the conservative support for charter schools, they draw significant support from liberal as well as conservative politicians, think tanks, and funders. This report therefore is focused on support for vouchers and tax credits.

1. Vouchers

While authorized by public legislation, usually at a state legislative level, except in the case of Washington, D.C., where the voucher decision was made by Congress, vouchers can be and are used to pay for the tuition costs of entirely private elementary and secondary schools. A school voucher is a sum of public money provided to a family for use as partial or full school tuition at a secular or sometimes religious private school. In theory, school vouchers do not adversely affect public sector education budgets or increase taxes, but simply allow parents to use these tax dollars for schools of their choice, including private schools, rather than the available public school options.

That financial picture of vouchers does not always hold true, as many voucher “experiments” receive special, additional appropriations rather than redirecting existing education appropriations to parental decision-making. Moreover, critics suggest that the vouchers can and do go to pay for educations offered by schools whose curricula vary significantly from public system standards and may be delivered by teachers lacking some teaching credentials. Competing evaluations of voucher experiments and programs, competing reevaluations of the findings of those studies, and selective interpretation of results have been used by advocates to suggest that vouchers substantially improve the school performance of lower-income and minority students and by opponents to suggest that the statistics on school performance improvement are insubstantial and unreliable.

Fundamentally, vouchers give parents the ability to opt out of public education systems, fragmenting the base of support for public education and weakening the public’s commitment to education as one of the basic “deliverables” of government. While advocates may use educational reasons to defend school voucher programs, an underlying motivation among some advocates is a belief that the private sector simply is better at delivering most “public goods” than inherently inefficient, rules-bound, red-tape-strangled public bureaucracies. Vouchers are as much tools for realizing a vision of a sharply reduced public sector as they are tools for improving the school achievement of elementary and secondary school children.

2. School Tax Credit

School tax credits do not elicit the visceral political opposition that attends school vouchers but operate similarly as tools that support privatized alternatives to public schools. The American Legislative Exchange Council (ALEC), which developed the model legislation “Great Schools Tax Credit Program Act,” defines the concept as “tax credits for individual and corporate contributions to organizations that provide educational scholarships to eligible students so that they can attend qualified public and non-public schools of their parents’ choice.”³ A tax credit is a dollar-for-dollar credit against taxes owed, as opposed to a tax deduction, which merely reduces the taxpayer’s amount of taxable

2. Good examples of the powerful and often emotional arguments for or against school vouchers can be found in Richard D. Kahlenberg, ed., *Public School Choice vs. Private School Vouchers* (New York: Century Foundation Press, 2003), a critical response to the voucher movement; and Clint Bolick, *Voucher Wars: Waging the Legal Battle over School Choice* (Washington, DC: The Cato Institute, 2003), important because of Bolick’s national leadership of the voucher movement from his perch at the Institute for Justice.
3. American Legislative Exchange Council, “Great Schools Tax Credit Program Act,” http://www.allianceforschoolchoice.org/_DOCs/Great_Schools_Tax_Credit_Act.pdf.

income. Consequently a tax credit is much more attractive than a deduction.

In actual operation, education tax credit programs have operated both for contributions to school scholarship organizations and, in some cases, to subsidize the actual costs of tuition paid by parents themselves. Because of state fiscal considerations, some education tax credit programs have been structured as less than full dollar-for-dollar tax credits, usually capped at a certain level, and sometimes offered as enhanced charitable tax deductions.⁴

The combination of the idea of a charitable tax donation and the support of scholarships for lower income, minority children, makes education tax credits superfi-

support to organizations advocating for the privatization of K–12 education through vouchers and tax credits.

B. THE ROOTS OF CONSERVATIVE FOUNDATIONS' K–12 EDUCATION GRANTMAKING: A COMMITMENT TO PRIVATIZATION

A shared theme among many otherwise diverse conservative foundations supporting school vouchers is a commitment to privatization. The movement for privatizing many traditional public sector functions has a long history in modern public policy and, in some instances, had enjoyed relatively widespread support. The modern “father” of privatization generally is considered to be the Nobel Prize-winning economist

Milton Friedman, the founder of the “monetarist” school of thought that viewed the free market as a positive dynamic and government interference in the markets as a negative influence. Notably, one of

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cially attractive compared to vouchers that rely on government funding appropriations. However, tax credits also represent government revenues foregone, revenues that could have been used for public education or other public purposes. Proponents of tax credits usually point out that these credits can be used for public schools. But since public schools generally are free to the public that pays for them in the form of taxes, the real purpose of tax credits is to subsidize the cost of private school tuitions for families that cannot afford that option. Once subsidized, these families have the ability to exercise “school choice” by removing their children from public schools.

School vouchers and education tax credits garner widespread support among voters even if their enactment at the state and federal government levels has been spotty. This report does not purport to assess the pros and cons of vouchers, tax credits or other mechanisms of school privatization. Rather, the focus is only on how foundations, known conservative funders and a vast array of lesser known foundations, have provided

Friedman’s boldest proposals was for the privatization of education. In his 1962 treatise titled *Capitalism and Freedom*, Friedman outlined a comprehensive plan for school vouchers, noting not only educational benefits but taxpayer savings.

Some privatization advocates posit theories of public sector failure. Some argue that government simply does not do better than the private markets, citing both inherent inefficiencies in government, and imperfections in and distortions caused by voting and politics leading to government failure. Another stream of thought in favor of privatization is libertarian—the concept that government intervention interferes with and undermines personal liberty—a notion often associated with the writings of Ayn Rand.

The conservative sector is hardly monolithic. There are significant fissures roiling the conservative movement on a range of issues, including libertarian support for the rights of gays and lesbians, opposition to U.S. intervention in other nations and questions regarding government subsidies amounting to “corporate wel-

4. For example, Minnesota’s K–12 education tax credit program offers both credits and deductions. Two-children families earning less than \$37,500 (the income threshold increases \$2,000 for each eligible child) get a tax credit for 75 percent of the costs they incur for private school tuition, instruction and tuition fees paid for academic work beyond the school day, and school supplies. Families above this income level can only subtract from taxable income up to \$1,625 per qualifying child in grades K–6, and \$2,500 for a qualifying child in grades 7–12 for eligible expenses. Cf. Minnesota Department of Revenue, “K–12 Education Tax Credit and Subtraction Help Families,” August 22, 2006, http://www.taxes.state.mn.us/publications/press_releases/content/ed_credit_web2006.shtml.

fare.” Probably no issue, however, garners as much widespread support across the conservative political spectrum as privatization. For many conservatives, the expansion of the public sphere in recent decades into anti-poverty work, affirmative action, business regulation and expanded civil rights changes the role of government unacceptably beyond what most conservatives can accept, which is limited to setting and monitoring the rules of law and order, contracts, property rights and national defense.

Guarding against the encroachment of government into ever widening spheres of life, in addition to rolling back the expansion of government, is a daunting task for conservatives. Despite conservatives’ advocacy, the size of government has increased under the administrations of Ronald Reagan, George H.W. Bush and now George W. Bush. During the three recent Republi-

can administrations, successful privatizations have been relatively few and the failures rampant, as exemplified by the recent collapse of George W. Bush’s plan for a partial privatization of the Social Security system. But conservatives see K–12 education as one area in which privatization can make headway.

Few issues resonate so powerfully with the American public as the notion of the purported failure of public elementary and secondary schools, front page newspaper fodder in both urban and rural communities. The current Bush Administration’s No Child Left Behind program emphasizing test scores, promoting the concept of opting out of “failing” schools, has attracted parents to non-governmental schools, including religious schools, as alternatives for their kids.

The failure of some public schools resonates particularly for minority families. School performance by minority pupils in grades K–12 has been consistently below non-minority students, dropout rates are higher for minorities and the proportion of kids going to college is lower. After a long history of school litigation reaching the U.S. Supreme Court since *Brown v. Board of Education*, there is good reason for minority families to feel that the results have been much less than expected. Conservative activists have found education to be a significant area of opportunity for

recruiting minorities to their ranks based on a shared disaffection with the results of government “help.”

Besides the generic distrust of school performance and the specific concerns of minorities who have been historically underserved, conservative proponents of privatization find the privatization of schools as an attractive venue to weaken the influence of unions, particularly the powerful teachers’ unions. In many areas, the teachers’ unions have become quite influential in establishing educational policies and work rules, in some localities seen as an impediment to school improvements. School union scandals in places such as Washington, D.C., and Miami/Dade County, Florida, have helped union opponents paint the unions as obsta-

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—Pete DuPont, Former Board Member, Lynde and Harry F. Bradley Foundation

cles that can be vaulted only by switching to relatively non-union private schools.

The statements from foundation executives in favor of school vouchers are just about always couched in terms of privatization of schools, of generating alternatives to public schools, not in terms of support for arcane, idiosyncratic or divisive social and religious theories:

Chester Finn of the Thomas B. Fordham Foundation: “(W)e support real programs such as charter schools and a privately-funded voucher-type program and various frustrating efforts to improve the public school system itself. ... What public education needs is to be forced to change ... that force can come from the marketplace; from the customer, via competition from private schools and charter schools and virtual schools and privately managed schools and home schools and much more.”⁵

Pete DuPont, previously on the board of the Lynde and Harry F. Bradley Foundation: “What is one good thing we could do for the people who are poor, who are not succeeding? We could give them an education. What does the government do worst in America? Run the school system. The school system is awful. Low-income people have no way out of that

5. Hudson Institute’s Bradley Center for Philanthropy and Civic Renewal, “Giving Better, Giving Smarter: Six Years Later” (edited transcript of a breakfast discussion, May 15, 2003, Washington, D.C.), http://www.hudson.org/files/pdf_upload/Transcript_2003_05_15.pdf.

school system. If you gave them the opportunity to go to a school of their choice and opened the market up to creating those schools, there's a practical thing that you could do that would help the lower-income and the disadvantaged people in the country, and it would be individualism as opposed to the collectivism of the education system"⁶

Linda Childears, President and CEO of the Daniels Fund: "We support charter schools, the voucher movement, and we support public schools that are doing innovative things to help education. The aim is not to put more and more money into the same programs that have not produced results."⁷

On the Jaqueline Hume Foundation: "(T)he foundation believes it must first be clear about its strategy of supporting free-market solutions to education reform and then pay close attention to results," says executive director Gisèle Huff. 'Historically, long-established, mainline foundations haven't demanded much in the way of results,' Huff tells *Philanthropy*, 'but the new philanthropists—the Gateses and the Broads, for instance—don't fool around. If they get negative results, they won't keep investing time, resources, and energy into losing battles. That same strategy has long been a part of our playbook, and I believe it will be the legacy' of free-market philanthropy."⁸

Bruno Manno, a senior associate at the Annie E. Casey Foundation, which is not a conservative funder (though Manno has served on the board of the Fordham Foundation): "Rather than feeling compelled to give to public education as exemplified in today's government-controlled structure, donors, for example, could begin to support programs that give money directly to families so that they can choose the school their children attend. ... (A)lternatives to direct support of the present system of public education may be a more effective way of

reforming the system so that it achieves educational equity and improves educational quality. ... Taken as a whole, this primer [*A Primer on America's Schools*] on America's schools presents a strong case for concluding that the present school enterprise is not just doing poorly, but is incapable of doing much better because it's intellectually misguided, ideologically wrong-headed, and organizationally dysfunctional."⁹

These views support a principle of individualized democracy, that people given the wherewithal to make their own individual choices will, in general, do so. They believe that the cumulative individual decisions of consumers will lead to societal improvement or, in this case, educational improvements, that are superior to the collective decision-making of the public sphere. A consistent part of the conservative theory of funding education reform is funding for grassroots organizing of low-income parents in support of vouchers and, more broadly, school choice. As described by Bryan Hassel of the Public Impact education consulting firm, "You have the specter there of very conservative, straight-laced funders getting together with grassroots organizers who may ordinarily be demonstrating against them or their companies on other issues to work in this very interesting political coalition around grassroots organizing."¹⁰

Unlike conservative policy "successes" in areas such as welfare reform, deregulation, and crime,¹¹ for example, conservatives see progress, as limited as it has been, in school privatization as the product of funding for grassroots organizing, a model that has had a strong impact on conservative foundation thinking in general. In contrast to the conservatives' purported focus on funding big think tanks such as the Heritage Foundation and the American Enterprise Institute, which liberal critics have emphasized to the point of criticizing mainstream and liberal foundations for dissipating their grantmaking to too many small, grassroots groups,¹² there is a distinct trend in conservative philanthropy that

6. Hudson Institute's Bradley Center for Philanthropy and Civic Renewal, "Symposium on Vision and Philanthropy" (proceedings of the symposium, February 16, 2005, Washington, D.C.), http://pcr.hudson.org/files/publications/Vision_and_Philanthropy_2005.pdf.
7. Mark O'Keefe, "The Daniels Fund: A Rocky Mountain commitment to donor intent," *Philanthropy Magazine*, May 1, 2006, <http://www.philanthropyroundtable.org/article.asp?article=1413&paper=1&cat=141>.
8. Justin Torres, "Jaquelin Hume Foundation: A single-minded focus leads a small foundation to an outsized impact," *Philanthropy Magazine*, March 1, 2006, <http://www.philanthropyroundtable.org/article.asp?article=839&paper=1&cat=141>.
9. Bruno V. Manno, "From the Ground Up: Rethinking the education system," *Philanthropy Magazine*, November 1, 2001, <http://www.philanthropyroundtable.org/article.asp?article=872&paper=1&cat=148>.
10. American Enterprise Institute for Public Policy Research, "With the Best Intentions: Lessons Learned in K-12 Education Philanthropy" (transcript of event, April 25, 2005), <http://www.aei.org/events/filter.all,eventID.959/transcript.asp>.
11. Steven F. Hayward of the American Enterprise Institute lists welfare reform, crime, and deregulation as examples of "notable" conservative policy successes and public education/school reform, affirmative action, and reregulation as areas of frustration, but not failure, cf., http://pcr.hudson.org/files/publications/Vision_and_Philanthropy_2005.pdf.
12. For example, Michael Shuman, "Why Do Progressive Foundations Give too Little to too Many?" *The Nation* (January 12, 1998).

emphasizes the importance of funding small scale, community, grassroots groups. Contrasted with mainstream philanthropy's purported technocratic and professionalized approach to funding education reform, described as a "distrust of democracy," William Schambra of the Hudson Institute's Bradley Center for Philanthropy and Civic Renewal describes a different ethos taking over conservative philanthropy:

The ineffectiveness of foundations is nowhere more apparent than in the realm of elementary and secondary education. The system itself is unmistakably, fundamentally broken, especially for poor children who live in big cities. Yet the imagination of most grant makers in education cannot move beyond that system's horizon ... and they do nothing without first enlisting support from a collaborative partnership of the full range of powerful interests whose chief goal is to preserve the status quo ... By contrast, other grant makers—foremost among them the late John Walton, son of the founder of Wal-Mart—have backed charter schools and tuition-assistance programs for private and parochial schools. The promise of this approach is that it puts the power of choosing schools back in the hands of parents, thereby bringing to bear an enormous and hitherto untapped source of political pressure for change. ... Grant makers who push the idea of parental choice have broken free of the confines of technocratic tinkering. They support activists with general operating support for extended periods, realizing that progress is not easily calibrated, coming as it does by fits and starts over the long haul. ... (P)arental choice is rooted in a trust of democracy. It trusts parents to select the schools best for their children, even though they choose a bewilderingly diverse array of educational settings, in defiance of one-size-fits-all experts. ... The politics of parental choice, in short, begins to re-establish the messy, unpredictable, genuinely democratic politics of an earlier era.¹³

C. SCHOOL CHOICE IN VOUCHERS AND TAX CREDITS: STATES WITH PROGRAMS AND INITIATIVES

Several states now offer programs of tax credits or charitable deductions for donations to private scholarship programs or for parents' tuition and related expenses in sending their children to K–12 private schools outside of the public school system.¹⁴ The first state to enact an education tax credit program for parents was Iowa in 1987, initially a \$1,000 per child tax credit for income-eligible families' education expenses, reduced in 1997 to only 25 percent of the first \$1,000 spent on education. Iowa was followed by several other states, including Minnesota (initially with a generous credit of as much as \$2,500 per child for middle and high school education expenses), Illinois (whose program survived a legal challenge from the Illinois Education Association and People for the American Way), and Arizona (again, surviving court challenges).¹⁵ According to the Heritage Foundation's school choice progress report of 2006, seven states (Arizona, Florida, Illinois, Iowa, Minnesota, Pennsylvania and Rhode Island) now have enacted some form of tax credits for parents' expenses, contributions to scholarship funds or both.¹⁶

Like much of charitable giving, there is some strong evidence that these tax credit programs do not necessarily afford opportunities to parents and children in need as they purport to do, or they may provide better benefits to the donors than the recipients. In Pennsylvania's corporate tax credit program for donations to scholarship and education improvement organizations, 2,200 corporations made donations to assist some 33,000 students with tuition and expense scholarships in 62 of Pennsylvania's 67 counties for the 2006–2007 school year. Most scholarship programs pay for private school tuition while education improvement programs "fund innovative programs in public schools" throughout the state.¹⁷ In 2005, 70 percent of the tax credit funding went to the private school scholarship programs as opposed to assisting public schools.¹⁸ Florida's corporate tax credit program in the 2005–2006 school year provided scholarship assistance to almost 13,500 students attending some 900 private schools a year, of which some 83 percent reportedly were schools spon-

13. William Schambra, "7 (Bad) Habits of (In)effective Foundations," *Chronicle of Philanthropy* (February 9, 2006), <http://www.philanthropy.com/premium/articles/v18/i08/08003501.htm>.

14. A reasonably complete and recent chart of state tax credit programs is available from the Institute on Education Law and Policy, http://ielp.rutgers.edu/docs/Chart_ETIP.doc.

15. Krista Kafer, *School Choice in 2003: An Old Concept Gains New Life* (Washington, D.C.: The Heritage Foundation, March 19, 2004).

16. Dan Lips and Evan Feinberg, "School Choice: 2006 Progress Report" (Washington, D.C.: The Heritage Foundation, September 18, 2006).

17. Reach Foundation, "Educational Tax Credits," <http://www.paschoolchoice.org/reach/cwp/view.asp?a=1367&Q=568487&reachNav>.

18. Independence Institute: Education Policy Center, "Voucher and Tax Credit Programs in the Nation" (2007), http://www.i2i.org/main/page.php?page_id=111.

sored and operated by religious organizations,¹⁹ typically such as the Catholic Church.

While the Florida, Arizona and Pennsylvania programs are targeted to low- and very low-income families in need of assistance, anomalies in aid patterns occur. For example, the programs that provide tax credits to low-income families that send their children to private schools only work for families whose incomes are high enough to make them “tax-itemizers,” something the American Civil Liberties Union discovered in its review of Arizona’s family tax credit program.²⁰ Given

opportunities to their children, and public systems that, unlike private schools, cannot reject disabled children and frequently have to devote sizable portions of their budgets for this purpose. Alternatives directed toward disabled children sometimes have been a more palatable version of scholarships and vouchers than universal programs. For example, the well-known McKay scholarships have helped some 14,000 disabled students attend private schools in Florida.²² While many voters harbor misgivings about school vouchers in general, there are polls that show less strident opposition to the idea of voucher

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programs targeted to special education students.²³ One example is Georgia’s implementation of the publicly funded Georgia Special Needs Education Act, which provides tuition assistance for disabled

the gap between per family tuition subsidies and actual tuition costs, most low-income families could not afford to send their kids to private schools, secular or religious, given their relatively low income levels, so even within low-income eligibility, the families able to take advantage of the tax credit programs will tend to be at the upper end of the income eligible category. As a result, in some states, such as Arizona, the bulk of corporate scholarship moneys went to pupils already enrolled in private schools, at least in the program’s early years.²¹

Providing support for disabled children has been part of the strategy for winning converts to school vouchers. Parents of disabled children frequently are critics of public schools for providing inadequate assistance and

children²⁴ to attend 109 approved private schools.²⁵ The enhanced political palatability of special ed vouchers has attracted some conservative think tank proponents of vouchers to design “incrementalism” strategies, meant to attract support for vouchers by limiting their eligibility to either specific localities with significant numbers of failing schools (e.g., Cleveland and Milwaukee) or for disabled children in need of special education services that might not be readily available in public schools.²⁶ By building support for limited voucher programs, advocates build constituencies for expanding programs to more localities and more students.

Nonetheless, it has been difficult for conservative activists to make inroads with more universal school

19. Florida School Choice, “Corporate Tax Credit Scholarship Program Statistics,” http://www.floridaschoolchoice.org/Information/CTC/program_statistics.asp.

20. American Civil Liberties Union, “The Myths and Facts About Tax Education Credits,” <http://www.aclu.org/religion/vouchers/16149leg20020905.html>.

21. Ibid. Also see: People for the American Way, “A Model to Avoid: Arizona’s Tuition Tax Credit Law,” <http://www.pfaw.org/pfaw/general/default.aspx?oid=1398>. In light of this, however, the Florida corporate tax credit program prohibits the use of tax credit moneys for pupils already attending private schools.

22. Sam Dillon, “Florida Supreme Court Blocks School Vouchers,” *New York Times*, January 6, 2006, <http://www.nytimes.com/2006/01/06/national/06florida.html?ex=1294203600&en=2e198bde988673b&ei=5088&partner=rssnyt&emc=rss>.

23. Allie Martin and Jody Brown, “Survey: GA Voters Likely to Favor School Vouchers for Disabled Students,” *One News Now*, April 13, 2007, http://www.onenewsnow.com/2007/04/survey_ga_voters_likely_to_fav.php.

24. Eligibility for vouchers in the Georgia program would go to special ed students who already were enrolled in public schools. The categories of eligible disabilities include the following: autism, deaf/blind, deaf/hard of hearing, emotional and behavioral disorders, intellectual disability, orthopedic impairment, other health impairment, specific learning disability, speech-language impairment, traumatic brain injury and visual impairment.

25. Julie Hubbard, “New law gives students with disabilities options: Vouchers to enable children to attend private schools,” *Macon Telegraph*, July 30, 2007, <http://www.macon.com/198/story/100791.html>.

26. Joseph Bast and Herbert Walberg, *Design Guidelines for Vouchers* (Chicago, IL: The Heartland Institute, 2002), <http://www.heartland.org/publicPDF/Design%20Guidelines.pdf>.

voucher programs, even if limited to moderate- and low-income recipients such as the federally authorized program in Washington, D.C. Although school vouchers have been in use in Milwaukee since 1975, initially for non-religious schools, but authorized in 1995 for K–12 schools sponsored and managed by religious institutions such as the Catholic Church, the program has not been expanded to run statewide. Under former Governor Jeb Bush,²⁷ with the support of an array of conservative and liberal allies such as former Democratic Congresswoman Carrie Meek, Florida enacted a statewide voucher program that was declared unconstitutional, at least in terms of giving pupils publicly funded vouchers to attend private schools.²⁸ The program was allowed to continue for students who wish to opt out of “failing” schools for private schools, with tuition paid by Florida’s corporate education tax credits.

In practice, voucher-like programs have existed in some states such as Maine and Vermont, for pupils in rural areas to go to private schools where no public schools—or no accredited public schools—existed. Over the years, the range of schools for these vouchers was expanded from purely secular schools to religious private schools. The most recently enacted statewide school voucher program is Utah’s, which will be voted on in a statewide referendum in November 2007 before being operationalized.

While not having made significant headway, vouchers continue to pop up in nearly every state as an option, despite significant opposition from voters and organizations who perceive vouchers as reducing financial and political support for public education.

27. Current Republican governor Charlie Crist is nominally a supporter of school vouchers, but has not demonstrated the same level of interest and commitment as his predecessor to date.

28. The Florida Supreme Court said that the publicly funded Florida program would “separate private systems parallel to and in competition with the free public schools,” cf. Greg Toppo, “Fla. Supreme Court Strikes Down School Vouchers,” *USA Today*, January 5, 2006, http://www.usatoday.com/news/nation/2006-01-05-florida-school-vouchers_x.htm.

II. Methodology

The methodology for this report involved several sources and multiple techniques. The first step involved searching the Foundation Center's online directory to identify foundation grants and consequently grant recipients receiving support, with descriptions such as "school vouchers," "school privatization," "education tax credits," "school tax credits," etc. With these searches, we generated a long list of organizations involved in school choice programs and advocacy. These organizations then were researched to verify that they somehow were engaged in supporting or advocating for school privatization programs such as vouchers and tax credits. This was an iterative process of identifying organizations, identifying their funders, identifying other organizations receiving grants from the identified funders and so forth, toward compiling the final lists of organizations and foundations to research.

Based on this list, we then used the Foundation Center directory online to identify all foundations providing funding to these organizations between 2002 and 2005. We supplemented the Foundation Center list with a similar search using Guidestar's Grant Explorer, because we tested the lists to discover significant numbers of grants that were not listed on the Foundation Center but were found on Guidestar and vice versa. In no way should this list of organizations and funders be considered complete and exhaustive. Both the Foundation Center and Guidestar omit numerous grants, in some cases due to size, in some cases due to self-reporting limitations or inaccuracies (either on their 990s or in the information they provide to the Foundation Center). Since much corporate grantmaking does not go through corporate foundations and therefore may not be publicly disclosed, the corporate grant totals for both Foundation Center and Guidestar are seriously inadequate.

For a more in-depth analysis, we looked at the grantmaking that occurred in 2005, to categorize the types of grants awarded by these foundations. We looked at grant descriptions for more than 1,100 grants and assigned them to one of five categories of grant types:

- *education-related grants* – the grant language was specific about education reform in general;
- *general operating support* – the grants were described as such (or described as "to promote the charitable work of the organization") in the Foundation Center Online descriptions or the funders' 990PFs;
- *public policy research and/or advocacy* – grants were specifically identified as such in Foundation Directory descriptions;
- *special projects or programs* – the grant descriptions identified a specific project or program for which the grants were intended; and,
- *unknown grants* – when there were no general or specific identifying information provided in the funders' 990s or information from Foundation Directory Online.

From the funders' and organizations' 990s, we also collected information on their expenses, grantmaking, income, assets and other descriptive variables. Our calculations of the foundations' "payout" rates are in grants only, not in overall qualifying distributions, which by law include a portion of the foundations' administrative costs.

We collected additional data on the leaders and trustees of the foundations and the grant recipients through Foundation Center online, Guidestar and Nexis-Lexis searches. We gathered information on the potential connection of some of the 501(c)(3) grant recipients to 501(c)(4) social welfare organizations

through searches using the Economic Research Institute's salary survey software and database.²⁹

Additionally, we tracked the political donations of the key leaders of conservative funders, identifying board chairs and CEOs where possible, and running their names for political donations they might have made to Republicans or Democrats in the national elections of from 2000 through early 2008 as reported in the Center for Responsive Politics' [opensecrets.org](http://www.opensecrets.org) online database. We limited the data collection to campaign contributions for individuals running for Congress, the Senate or President, and for the two major parties themselves (the Republican National Committee and the Democratic National Committee), campaign-specific arms of the parties (for example, the Republican and Democratic Senate and House campaign committees), and the state-level affiliates of the Republicans and Democrats. While contributions to Political Action Committees and so-called "527 organizations" also are electoral in their uses, without additional detailed research, we could not be assured of the accuracy of our potential classifications of PAC and 527 donations as focused on supporting Democrats or Republicans.

29. Economic Research Institute, <http://www.eri.com/>.

III. Discussion of Findings

A. ORGANIZATIONS MOVING THE PRIVATIZATION AGENDA

Based on the methodology outlined above, our research uncovered 132 organizations—think tanks, advocacy organizations, parents’ organizations and education scholarship organizations—that provided research and promoted support of school choice in the form of school vouchers or education tax credits (see Appendix A). We fully suspect that there are many more than these 132, organizations that might be relatively small or informal organizations of parents promoting school choice in their school districts. These other organizations also could be 501(c)(4) rather than 501(c)(3) organizations or, more likely, other multipurpose organizations whose ideological leaning includes support for school choice in the form of vouchers and tax credits, but they are not hugely vocal or active on the issue. In addition, we know that some of these organizations in the list operate with numerous state and local affiliates, particularly scholarship organizations, some of which might be autonomous organizations with their own 501(c)(3) tax status and others operating under their national parent’s tax status. The Black Alliance for Educational Options is one of these organizations with multiple state affiliates.

The 132 organizations identified in our analysis are in 43 states plus the District of Columbia and Canada, the former having the most, followed by California and Virginia. Based on a reading of their self-description on working web sites; information on their missions, purposes and programs as posted on Guidestar.com; and some research knowledge of their operations, the

organizations can be categorized roughly as follows:³⁰

- National multi-issue organizations (30.5 percent)
- State/regional multi-issue organizations (41.4 percent)
- Education-specific organizations (28.1 percent)

Some of these organizations, even a few with national purposes and scopes, are quite small. A few actually generate revenues below \$25,000, thereby exempting them from having to file a form 990 with the Internal Revenue Service. Consistent with other research on conservative foundation grantmaking, organizations tend not to segregate themselves into “issue silos.” Some of the more active and effective organizations on the school voucher issue capitalize on their broader public policy advocacy on multiple issues, often with the ability to mobilize support from constituencies that might have been engaged in some other, non-education policy component of the organization’s programming. Nonetheless, among the education-specific organizations, the ideological policy agenda is quite clear, probably best epitomized by the “who we are” description of the Alliance for the Separation of School & State: “(We) (p)romote the idea that the only way to achieve ‘Honest Education’ is to end government involvement in schooling.”³¹

Several are recognizable national-level think tanks that have been the subject of much of the literature on conservative foundations and conservative public policy think tanks, such as the Heritage Foundation, the Hudson Institute, the Cato Institute, the National Center

30. We placed the American Civil Rights Institute in the “state multi-issue” category as focused on California, even though the description of the organization on Guidestar reads “national.” ACRI is run by Ward Connerly with a strong emphasis on undoing affirmative action legislation and related laws and procedures basically in California.

31. Full report on the Alliance for the Separation of School & State from Guidestar, <http://www.guidestar.org>.

for Public Policy Research, the Manhattan Institute for Public Policy Research, Focus on the Family and the Hoover Institution. The proportion of their programs devoted to educational choice is difficult if not impossible to determine. For these organizations, even with aggressive school choice efforts such as Cato and Heritage, their advocacy for school choice is intertwined ideologically and programmatically with a commitment to a much greater shift toward privatization of the U.S. economy overall.

A number of the groups we identified are housed in universities, making an analysis of their finances virtually impossible. For example, the finances for the Hoover Institution are embedded in the 990 filing of its parent, Stanford University. Organizations with a similar setup include the Institute for the Transformation of Learning (Marquette University), the Mercatus Center (George Mason University), the Commonwealth Education Policy Institute (Virginia Commonwealth University), the Ashbrook Center for Public Affairs (Ashland University) and the Beacon Hill Institute (Suffolk University). Consequently, many foundation grants that might have been directed to these advocates of school privatization may not show up in Foundation Center or Guidestar grants lists; in many cases, foundations officially direct the grants to the parent colleges or universities rather than the specific program or affiliate focused on education reform.

Even without including the university-based institutions, a number of these organizations operate with sizable budgets as measured by total revenues, notably the nearly \$138 million intake of Focus on the Family in 2005, the \$33.6 million revenue total of the American Enterprise Institute for Public Policy Research and the Cato Institute's total revenues of more than \$22 million.

As might be expected, most of these organizations apparently eschew government funding, but of the non-university groups, ten reported on their Form 990s for 2005 having received government grants, in some cases six- and seven-figure grants, such as the Center for Educational Opportunities Foundation, the Center for

Educational Reform, Teen Aid and the Ohio Foundation for School Choice.

B. CONSERVATIVE FOUNDATIONS FUNDING THE MOVEMENT

Overall, these organizations are supported by a very large array of foundations. From 2002 to 2006, we counted 1,212 distinct foundations giving grants to 104 of the 132 identified school choice organizations, and because the 2005 and definitely the 2006 reports on the Foundation Center were not necessarily complete, these totals might be significant undercounts for those years. The size of the grants ranged from \$500 on the low end to well into the millions on the high end, though in many cases, those were multifunctional grants that addressed activities beyond specifically educational functions, or, even if targeted to education policies, they might have addressed issues beyond school vouchers and school choice.³²

As examined over a period of years, the largest grant recipients in 2002 have remained consistently well-funded through 2005 (see Table 2).

However, as of 2005, the profile of school voucher-promoting organizations receiving more than \$2 million in annual grants from these funders included the following other organizations: the Alliance for School Choice, a vigorous public policy and organizing entity, receiving \$2,972,534; and the Thomas B. Fordham Institute, a generator of impressive research on school choice,

Table 1: Total Foundation Grants to 104 of 132 School Choice Organizations

Grant year (by year of Form 990 filing)	Number of foundations making grants	Dollar amount of grants made ³³
2002	573	\$91,383,592
2003	580	108,039,643
2004	692	102,191,670
2005	495	86,490,118

32. Since the initial compilation of this list, additional foundations have been discovered making grants to school privatization nonprofits. Due to the data classification difficulties for foundation grants and their reporting on Guidestar and the Foundation Center Online database, the grants totals for each of the years in this study assuredly will grow. For example, not included in this list are some of the grants of the Barbara and Barre Seid Foundation, which would have added to the totals in this database with grants, for example, in 2005 to Americans for Limited Government Foundation (\$750,000), Competitive Enterprise Institute (\$152,490), Foundation for Individual Rights in Education (\$100,000) and Parents in Charge Foundation (\$400,000); in 2003, the Greater Educational Opportunities Foundation (\$50,000), the Heartland Institute (\$154,689), Competitive Enterprise Institute (\$30,000) and the Cato Institute (\$25,000).

33. Because of lag times and delays in foundations' reporting of their grants and in the posting of the numbers by the Foundation Center and Guidestar, the 2005 totals are based on a revised totaling of reported grantmaking conducted in August of 2007. Each time information was accessed from Guidestar and the Foundation Center online data resources, the numbers have increased with the inclusion of additional foundation reports. The 2005 numbers presumably will continue to climb with additional reporting.

Table 2: Top 11 Grant Recipients among 104 School Choice Organizations

Largest grant recipients (starting with groups receiving more than \$2,000,000 in 2002)	2002	2003 ³⁴	2004 ^{35,36}	2005
Children's Scholarship Fund	\$24,630,668	\$19,389,542	\$14,835,100	\$14,467,543
Children First	8,367,772	10,627,036	6,900,066	5,649,294
American Enterprise Institute	7,635,423	11,210,880	5,701,800	3,514,000
Heritage Foundation	6,253,580	8,301,966	11,158,893	8,534,924
Focus on the Family	3,994,579	5,185,389	5,331,301	2,008,875
Cato Institute	3,114,190	2,904,596	3,775,077	2,915,110
Manhattan Institute	2,808,651	4,230,311	4,799,062	3,733,816
Institute for Justice	2,783,200	3,304,925	2,551,335	2,350,750
Hoover Institution	2,550,587	3,626,900	4,396,120	6,290,297
National Center for Policy Analysis	2,504,600	1,670,600	2,310,470	1,571,110
Hudson Institute	2,295,390	2,114,600	1,574,800	1,460,250
TOTAL	\$66,938,640	\$72,566,745	\$63,334,024	\$52,495,969

receiving \$2,495,062 in grants from conservative foundations. Those with grant totals in 2005 topping \$1,000,000 were the Mackinac Center for Public Policy, the Black Alliance for Educational Options (BAEO), the Center for Educational Reform, the Hispanic Council for Reform and Educational Options (HCREO), the Reason Foundation, the Acton Institute for the Study of Religion and Liberty, the Competitive Enterprise Institute, the Pacific Research Institute for Public Policy and the Claremont Institute. The significant grantmaking of these foundations to BAEO and HCREO underscores the conservatives' awareness of a wellspring of minority population dissatisfaction with the quality of public education in their communities and a potential openness to non-public alternatives.

Table 3 shows the largest funders of school voucher and education tax credits advocates, as indicated from a combination of Foundation Center Online and Guidestar data for 2005. Figures show the Walton Family Foundation as

the largest supporter of school choice/school vouchers, dwarfing the grantmaking of all others. Combined, however, the total amount given in 2005 alone represents an incredible amount of capital infused into the movement for school vouchers/tax credits. Twenty-nine foundations each gave more than half a million dollars to organizations promoting the privatization agenda.

The fabulously wealthy Walton family that owns the Wal-Mart Corporation controls the Walton Family Foundation, one of the largest foundations in the United States. Conservative activists often suggest that conservative foundations are small, or at least much smaller than their mainstream or liberal counterparts, but that doesn't apply to the Walton Family Foundation. According to the Foundation Center's 2007 yearbook, the foundation was the 38th largest foundation in the U.S. with \$1.33 billion in assets,³⁷ joining the Keck Foundation, the Samuel Roberts Noble Foundation, the Daniels Foundation and the John Templeton Foundation as billion dollar founda-

34. The Black Alliance for Educational Opportunities (BAEO) would be included as a one-time top grant recipient in 2003 due to a \$4,000,000 five-year grant awarded in 2003 by the Bill and Melinda Gates Foundation. Although it promotes a number of educational "choice" options for African American families, BAEO is nationally prominent for its advocacy of school vouchers.

35. The Center for Educational Reform joined the list of \$2,000,000 grant recipients with \$2,332,555 in 2004, after having received less than \$600,000 from these foundations in 2002.

36. Floridians for School Choice jumped into the list of largest grant recipients with nearly \$3.3 million in foundation grants in 2002, due largely to massive support from the Walton Family Foundation. Political and legal challenges to vouchers in Florida obviously were key to the increase in grant support for this single-state organization.

37. Foundation Center, "50 Largest Foundations by Assets, 2005," *FC Stats: The Foundation Center's Statistical Information Service*, http://foundationcenter.org/findfunders/statistics/pdf/11_topfdn_type/2005/top50_aa_all.pdf.

Table 3: Largest Foundation Funders of School Choice Advocates in 2005

Foundation	Total Amount Given in 2005
Walton Family Foundation (AR)	\$25,343,778
Lynde and Harry F Bradley Foundation (WI)	6,358,000
Sarah Scaife Foundation (PA)	3,895,000
Bill and Melinda Gates Foundation (WA)	2,624,387
John Templeton Foundation (PA)	2,560,014
Herrick Foundation (MI)	2,370,000
Annenberg Foundation (PA)	2,100,000
Jaquelin Hume Foundation (CA)	1,905,263
Samuel Roberts Noble Foundation (OK)	1,615,000
Dunn Foundation for the Advancement of Right Thinking (FL)	1,556,000
Lilly Endowment (IN)	1,150,000
Ewing Marion Kauffman Foundation (MO)	1,053,000
Lakeside Foundation (CA)	1,080,000
Mathile Family Foundation (OH)	1,002,000
Carthage Foundation (PA)	950,000
M.J. Murdock Charitable Trust (WA)	930,000
John S. and James L. Knight Foundation (FL)	900,000
William E. Simon Foundation, Inc. (NY)	850,000
The Roe Foundation (SC)	788,500
Daniels Fund (CO)	785,500
Ruth and Lovett Peters Foundation (OH)	741,750
ExxonMobil Foundation (TX)	712,000
Lillian S. Wells Foundation, Inc. (FL)	700,000
The Herbert H. and Grace A. Dow Foundation (MI)	653,500
Earhart Foundation (MI)	628,500
MacDonald Family Foundation (CA)	600,000
Gordon V. & Helen C. Smith Foundation (MD)	563,510
Cortopassi Institute (CA)	555,950
Modzelewski Charitable Trust (VA)	555,000
TOTAL	\$65,526,652

tions dedicated to ideologically conservative causes. Like many conservative foundations, the Walton Family Foundation is a very generous grantmaker, jumping to number 22 on the list of the nation's top 50 foundation givers by grantmaking, with \$155 million in grants in 2005, followed by the Wal-Mart Foundation in 23rd place with \$150 million in grants.³⁸

The family wealth behind the Walton Family Foundation is, of course, enormous. The family's estimated wealth is more than \$90 billion, including its shares of Walton Enterprises (owning 39 percent of Wal-Mart's 4.3 billion shares), plus substantial individual ownership and control of Wal-Mart stock.³⁹ Although it is not clear how the recent death of Helen Walton will affect the Family Foundation, the Walton matriarch reportedly had planned to donate her more than \$16 billion dollars to the foundation.⁴⁰ If that happens, it would put the Walton Family Foundation, not counting the Wal-Mart Foundation, into second place in total foundation assets behind the Bill and Melinda Gates Foundation, which also provides some level of support for school choice in the form of charter schools.

The Walton Family Foundation's grant support for the school choice organizations in this list reveals unparalleled grant support, in itself sufficient to capitalize an effective public policy movement, constituting sometimes more than one-third of the total foundation support for school choice and school voucher organizations, ranging from \$25 million to more than \$30 million annually (see Table 4).

For 2005, therefore, some 16 percent of the Walton Family Foundation's total grantmaking directly supported these school choice organizations.⁴¹ Some of these grants might not have been directed to these organiza-

38. Foundation Center, "50 Largest Foundations by Total Giving, 2005," *FC Stats: The Foundation Center's Statistical Information Service*, http://foundationcenter.org/findfunders/statistics/pdf/11_topfdn_type/2005/top50_tg_all.pdf. Unlike the Walton Family Foundation, the Wal-Mart Foundation is not much of a funder of ideologues and organizers promoting school vouchers and tax credits, using its charitable giving to build corporate relationships with community organizations generally located near current and prospective Wal-Mart stores.

39. National Committee for Responsive Philanthropy, *The Waltons and Wal-Mart: Self-Interested Philanthropy* (Washington, D.C.: National Committee for Responsive Philanthropy, 2005), p. 5.

40. Jim Hopkins, "Helen Walton's Death May Benefit Public Education," *USA Today*, April 22, 2007, http://www.usatoday.com/money/industries/retail/2007-04-22-helenwaltonobit_N.htm.

41. Using NTEE classifications, Guidestar counts 27 percent of the Walton Family Foundation's grant dollars overall as having gone to education, though Guidestar leaves 40 percent as unknown due to undetermined NTEE codes, cf. Guidestar, "Walton Family Foundation Inc.," <http://www.guidestar.org/pqShowGsReport.do?partner=grantexplorer&grantType=grant&npld=164392&gotoNext=/reports/partners/grantexplorer/showGrants.jsp>.

tions' voucher and tax credit advocacy, given the Foundation's and these organizations' commitments to charter schools as well as vouchers as instruments of school choice. In the Foundation's own description of its education reform program, it distinguishes support for "public charter schools" from "school choice," making it clear that the emphasis of school choice is "empower to low-income students to choose and attend quality private schools." The Foundation's school choice grantmaking targets contain a strong commitment to funding public policy advocacy and parent organizing:

- Build support for public policies that provide school choice;
- Manage and strengthen publicly funded scholarship programs;
- Provide families with clear and useful information about their traditional public, public charter, and private school options; and
- Evaluate the performance and effects of large school-choice programs.⁴²

Within this array of grant strategies, the Walton Family Foundation provides significant support to the school choice organizations in this report, including the organizations receiving more than \$100,000 in grants during between 2001 and 2005 as shown in Table 5.

These are astounding levels of grant support by any calculation. In the arena of K–12 education, particularly for organizations that have a role in promoting school vouchers and other sharply privatized mechanisms of education, the Walton Family Foundation has been redefining the meaning of philanthropy in ways unparalleled except perhaps by the Gates Foundation's defining grantmaking for international health issues.⁴³ This is muscular, effective, politically strategic grantmaking. Walton Family Foundation grants are of the size and focus to create and sustain powerful and effective organizations for K–12 education reform.

42. Walton Family Foundation, "School Choice," <http://www.waltonfamilyfoundation.org/educationreform/index.asp#2>.

43. Since its establishment in 1994 through March of 2007, the Bill and Melinda Gates Foundation has made more than \$3.4 billion in education grants, including significant support of charter schools (see Bill and Melinda Gates Foundation, "U.S. Program Grants," <http://www.gatesfoundation.org/UnitedStates/Grants/default.htm?showYear=2007>). As noted earlier, however, the Gates Foundation is strongly committed to public schools, with major support for public school systems and for charter schools within the context of public systems, and no discernable direct support for vouchers. The foundation's huge grantmaking for education is less than half of its investments in global health, but the education commitment still is enormous.

Table 4: Walton Family Foundation School Choice Grants

Year	Amount Given
2001	\$30,054,720
2002	30,870,971
2003	31,000,745
2004	25,538,068
2005	25,343,778

Table 5: Organizations Receiving More Than \$100,000 from the Walton Family Foundation, 2001–2005

Grant Recipient	State	5-year Grant Total
Children's Scholarship Fund	NY	\$85,755,009
Children First /CEO America	AR	38,479,188
Center for Education Reform	DC	4,009,878
Floridians for School Choice, Inc.	FL	3,836,250
Hispanic Council for Reform and Educational Options	DC	2,780,996
Black Alliance for Educational Options Inc	DC	2,586,774
Alliance for School Choice, Inc.	AZ	2,557,585
Excellent Education for Everyone	NJ	1,550,000
Hoover Institution at Stanford University	CA	1,355,627
Institute for Justice	VA	1,140,000
Association of American Educators Foundation	CA	826,700
Partners Advancing Values in Education (PAVE)	WI	710,000
Milton and Rose D. Friedman Foundation Inc	IN	641,625
Thomas B. Fordham Institute	DC	450,000
Manhattan Institute for Policy Research Inc	NY	346,000
Heartland Institute	IL	310,000
Pacific Research Institute for Public Policy	CA	175,000
American Enterprise Institute for Public Policy Research	DC	107,900
Hudson Institute Inc	DC	100,000
Mackinac Center for Public Policy	MI	100,000

For example, the Waltons, along with financier Theodore Forstmann, each made \$50,000,000 contributions in 1998 to create the Children's Scholarship Fund. The Walton Family Foundation added more than \$94 million to the Fund between 2000 and 2005.⁴⁴ Seven and eight-figure multi-year grants to other education advocacy organizations are not uncommon in the Walton Family Foundation strategy.

The Walton Family Foundation's grant support in general is not monolithically politically conservative, supporting an often surprisingly ideologically diverse set of organizations in a variety of fields. Progressives should not assume that because there is such a vigorous union-based organizing effort targeting Wal-Mart stores that Walton Family Foundation grants are viewed as inherently negative by potential recipients. To the contrary, the Walton grants portfolio includes substantial grants to many organizations seen in a positive light by the left as well as the right. Alongside grants to Grover Norquist's Americans for Tax Reform (\$183,500) and other groups that are viscerally right-wing were generous gifts in 2005, for example, to affiliates of Habitat for Humanity (in Benton County, Arkansas, \$218,400), the Nature Conservancy (\$300,000 to the national headquarters), the Local Initiatives Support Corporation (\$1,125 million),⁴⁵ the National Council of La Raza (\$2.750 million between 2002 and 2005) and \$2.477 million for the Foundation for the Mid-South. The Walton Family Foundation understands how to use its capital to reach out to ideologically diverse groups to build allies or, at least, temper potential opposition.

At its annual meeting in 2003, the Philanthropy Roundtable, a gathering of conservative funders, honored the Walton Family Foundation and Children First America (with \$38.5 million in Walton Family Foundation grants between 2001 and 2005) in its "salute to effective education philanthropy." Children First's John Kirtley described how Milton Friedman's writings on education propelled him into developing an organization providing scholarships for poor children to go to private school as alternatives to the public school system, and for amassing capi-

tal to create and expand dozens of new private schools. He attributed Children First's success to its partnership with the Walton Family Foundation.

Acknowledging the recognition on behalf of the Foundation, trustee John Walton provided a revealing and detailed description of the Foundation's philanthropic strategy for K-12 education:

The journey to choice for me and for our foundation began a dozen years ago. Becoming more involved in education, we recognized, as most of you probably have, that education is the highest point of leverage we could attain. All the challenges we face as a nation have the roots of their solutions in good education for all of our kids. The question is, how do you help kids across our country without regard to their family circumstances? ... We recognized the challenge would be to create lasting change. We began to look at education in a larger context, and we saw that the people on the receiving end, the customers if you will, have absolutely no influence. If you look at it in terms of power-something all the opponents of choice understand very well-you will "follow the money." The money in education comes from the top, filters its way down, and various interest groups and factions pull off their share into what they think is important. The customers at the bottom just take what they're given ... In any system, if you want to increase the attention a group receives, you must increase their power. The best way to empower schoolchildren and parents is to let them direct the money ... How do you do this? You let parents direct resources to schools that work for them. Charter schools are a great example of this principle, as are "schools of choice," vouchers, tax credits-they're all part of the effort to provide parents with the power to direct resources ... Of course, no matter what choices they have, a majority of our kids are always likely to be in what we consider public schools. There are good reasons for that. The public schools are the repository of a tremendous amount of talent and infrastruc-

44. The Wal-Mart Foundation, supposedly dedicated to funding largely locally through decentralized regional and store-level decisions, added \$300,000 to the Scholarship Fund in 2006.

45. The Walton Family Foundation, along with Prudential Insurance, has largely capitalized IUSC's chartered school facilities fund, with an initial cumulative investment of some \$17.4 million toward a \$35 million Educational Facilities Financing Fund to support charter school facilities development. Although mischaracterized by one major observer as an "\$18 million grant" (See Steven Schindler, "Charter Schools Funding," Case 777, http://www.pubpol.duke.edu/dfrp/cases/descriptive/charter_schools_funding.pdf), the Walton Investment actually was a \$7.4 million grant and a \$10 million zero interest loan or Program Related Investment (see "Walton Foundation Gives \$17.4 Million to Develop School Facilities," *Philanthropy News Digest*, October 31, 2002, http://foundationcenter.org/pnd/news/story_print.html;jsessionid=AYHPFZHFNWLN1TQRSI4CGXD5AAAACI2F?id=16000019).

ture. They have the tools. What they lack is an environment that encourages excellence and sanctions failure. That's what choice provides.⁴⁶

Walton's theory is straightforward and compelling: to simply channel funding—scholarships, vouchers, tax credits—to help the families of poor children vote with their feet, moving to private school alternatives outside of the confines of the public school system's constraints. For parents who think they cannot affect and change public schools, the provision of a partial scholarship gives them the power of choice and change through picking a private school for their kids.

Additionally, Walton didn't disparage the public schools, but actually voices support for them. His theory is that the "yardstick competition" of private schools, drawing pupils armed with scholarships and vouchers, will compel public school systems to change, to become more malleable to parents' needs, to break the constraints that he and others believe inhibit effective K-12 education. Therefore, beyond support for school voucher proponents, the Walton Family Foundation provides significant grant support for charter school organizations (charter schools operating within public school systems) and for public school systems themselves.

It may be that the Walton support for public charter schools and for public education in general is no more than rhetorical camouflage for a strategy to break public school teachers' unions and to outsource the management and operations of K-12 education to private school operators as part of a Milton Friedmanesque kind of assault on the ability of the public sector to deliver quality education.⁴⁷ However, a more reasonable approach is simply to take the Walton formulation at face value and recognize it as part of a well-capitalized and effective strategy to promote privatized alternatives to what conservatives see as a public school monopoly, mobilizing philanthropic and political capital to achieve a compelling and well thought out vision of K-12 education. It is a casebook example of effective foundation grantmaking.

No one should be surprised to see the Bradley and Scaife Foundations high on the list of conservative funders, though their grantmaking pales in comparison to the Walton Family Foundation's. The Bradley Foundation's presence in Milwaukee has had a huge impact on the

school choice movement, helping to create and capitalize some of the organizations on this list, and having funded some of the intellectual development of the conservative think tank movement. Scaife has been among the most virulent of conservative funders, with members of the Scaife family bankrolling many of the visceral personal investigations and attacks on former president Bill Clinton. But other funders might not be as readily recognizable as being as conservative as the likes of Bradley, Scaife, Carthage, Mathile and others.

While definitions of "conservative" and "liberal" are debatable in many circles, most people would not think of either the Gates Foundation or the Annenberg Foundation as extremely conservative, but both are huge funders of educational programs. The large Gates Foundation grant in 2005 went to the Fordham Institute, a very conservative but reputable education think tank. Annenberg's large grant in 2005 to an organization on this list went to the Hudson Institute, again a very conservative institution but known for production of high quality research and analysis. While "progressives" might not like the ideological positioning or policy recommendations of some of the conservative organizations promoting vouchers and voucher-substitutable tax credits, the work of these organizations should not be dismissed out of hand as shoddy. To the contrary, if a mainstream foundation is interested in better understanding some of the conditions, challenges and programmatic options available to K-12 education, ignoring quality research simply because it emanates from "the other side" of the political spectrum would be shortsighted. However, there are some critics, such as Mark Dowie⁴⁸ and Ira Silver,⁴⁹ who might suggest that the political frame in U.S. society has shifted to the right over the years, so that corporatist, private sector-oriented pragmatic funding by Gates and Annenberg basically reflect an overall more conservative tint to philanthropy.

That might explain the appearance of the Ewing Marion Kauffman Foundation on this list. Under Kauffman's new CEO, the Foundation has redoubled its attention to promoting and supporting for-profit initiatives, to the point where there is a strong flavor in the Foundation's recent grantmaking that solutions can and

46. John F. Kirtley and John Walton, "Annual Meeting Highlights: Salute to Effective Education Philanthropy," *Philanthropy Magazine* (Washington, D.C.: Philanthropy Roundtable, January 1, 2003), <http://www.philanthropyroundtable.org/article.asp?article=974&paper=1&cat=147>.

47. The Foundation is a substantial investor in private schools. For example, through 2005 it made over \$7 million in grants to various KIPP schools as well as the KIPP national headquarters.

48. Mark Dowie, *American Foundations: An Investigative History* (Cambridge: MIT Press, 2002).

49. Ira Silver, *Unequal Partnerships: Beyond the Rhetoric of Philanthropic Collaboration* (New York and London: Routledge, 2006).

must come from for-profit entrepreneurs.⁵⁰ A funding interest in organizations promoting private sector alternatives to what many see as a hidebound school bureaucracy makes sense for the Kauffman Foundation's recent grant array, though as distinct from the ideologically conservative funders. Kauffman's funding priorities reflect a commitment to entrepreneurialism as a value rather than a Friedman-like attack on the public sector. Likewise, the Lilly Endowment has been an Indiana-focused foundation with a strong commitment to faith-based organizations. However, though Lilly has long had an array of moderate Republicans in various leadership positions,⁵¹ its support of faith-based organizations has tended toward the pragmatic, a belief in the importance of family values rather than more sectarian, evangelistic religious perspectives.

ExxonMobil was the largest corporate grantmaker involved. We were able to identify the corporate support because of grants that passed through the company's corporate foundations, which report on their grantmaking through filings of IRS Form 990PF. However, one-half to potentially as much as two-thirds of corporate grantmaking is in the form of direct corporate support of nonprofits, grants made through the CEO's office or the marketing department, for which there is no public disclosure requirement.

Nonetheless, the visibility of ExxonMobil in this list is noteworthy. Much of corporate foundation grantmaking is more pragmatic than ideological, focused on bolstering the company's image of good corporate citizenship or attracting and expanding markets. Historically, ExxonMobil has been quite different, willing to use its foundation largesse to push sharply conservative ideological agendas that directly and indirectly benefit the corporation. Its most controversial grants have involved

support of entities that promote the notion that global warming is, at worst, a hoax, at best, an overreaction to naturally occurring climatological shifts. ExxonMobil has taken special pains to go after groups such as Greenpeace and other critics of the oil and gas industries for their advocacy of global warming issues, even funding attack organizations to question their tax exemptions.⁵² With the public increasingly dismissing global warming critics and the unpopularity of the Bush Administration, which rejected international treaties to address the issue, ExxonMobil appears to be softening its support of the global warming deniers.⁵³

Nonetheless, the corporation has been a consistent contributor to the financial underpinnings of conservative think tanks and advocacy organizations that blend ExxonMobil's anti-environmentalism with the corporation's anti-regulatory and pro-privatization political and ideological positions, making this corporate foundation look much more like a conservative private foundation. Historically, among ExxonMobil's favorite grant recipients have been organizations that include school privatization within their advocacy agendas, including the American Enterprise Institute (ExxonMobil's CEO served long on the AEI board), the Cato Institute, Citizens for a Sound Economy (since renamed FreedomWorks), the Competitive Enterprise Institute, Canada's Fraser Institute, the Heartland Institute, the Heritage Foundation, the National Center for Policy Analysis, the National Center for Public Policy Research, the Reason Foundation, the Texas Public Policy Foundation, the Mackinac Center and the Mercatus Center.

ExxonMobil ranked seventh among all corporate grantmakers ranked by total giving in 2005,⁵⁴ but other large corporate grantmakers also have been seen among the funders of school privatization advocates in recent

50. Most of the Kauffman Foundation's education grants tend to be focused on the teaching of science, mathematics, and entrepreneurship in schools, without specific intent of promoting school vouchers or tax credits directly (though it does give to charter school advocates, such as a \$135,000 grant in 2007 to the National Alliance for Public Charter Schools "to advance the charter school movement in Missouri, Kansas and nationally in order to provide better school options for all students"), but some of the grant recipients are well known as advocates of school choice. Kauffman gave the American Enterprise Institute \$350,000 in 2006 to "support research and a book that identifies obstacles to entrepreneurship in K-12 education," the Thomas B. Fordham Institute \$75,000 in 2007 to "support a pilot project to develop a report that rates each of the fifty states on the degree to which its schools are burdened by regulation" and in 2006, \$100,000 to the Fordham Institute to help create "the Policy Innovation in Education Network, a national, nonpartisan forum for policy makers and civic leaders looking for innovative ways to advance equity and achievement in education." Although the Foundation's publications suggest that significant entrepreneurial improvements in education can be accomplished "even within some of the tight limitations that currently exist, and in a manner that preserves and indeed strengthens public school systems," Kauffman's policy monograph, *On the Road to an Entrepreneurial Economy*, does call for school choice "at least within the public system," calling for support for "the equivalent of new educational 'firms' (schools)...permitted to enter the market," cf. *On the Road to an Entrepreneurial Economy: A Research and Policy Guide*, Version 2.0 (July, 2007), pp. 11–12, http://www.kauffman.org/pdf/entrepreneurial_roadmap_2.pdf

51. The president of the Lilly Endowment in 1984 was a former aide to current Republican senator Richard Lugar; in 1989, the former Republican lieutenant governor of Indiana, John Mutz (now with the Lumina Foundation), took the helm of the Endowment.

52. Rick Cohen, "A Politicized Internal Revenue Service Examining Progressive Nonprofits," *DMI Blog*, May 8, 2006, http://www.dmblog.com/archives/2006/05/a_politicized_internal_revenue.html.

53. Sharon Begley, "The Truth about Denial," *Newsweek*, August 13, 2007, <http://www.msnbc.msn.com/id/20147341/site/newsweek/>.

54. Foundation Center, "50 Largest Corporate Foundations by Total Giving, 2005," *FC Stats: The Foundation Center's Statistical Information Service*, http://foundationcenter.org/findfunders/statistics/pdf/11_topfdn_type/2005/top50_tg_cs.pdf.

years, including the foundations of Wells Fargo, Verizon, Amgen, Bank of America, AT&T, CIGNA, Ford Motor Company (distinct and entirely separate from the Ford Foundation), GE, General Mills, General Motors, Eli Lilly, Pfizer, Wellpoint, Pepsico, Bristol-Meyers Squibb, Alcoa, Abbott Laboratories, American Express, U.S. Bancorp, Merrill Lynch, Proctor & Gamble, Daimler Chrysler, Fannie Mae, and Caterpillar, all on the top 50 corporate funders list with Exxon Mobil. It makes sense that corporations whose functions and productivity are premised, in their frameworks, on the operations of a relatively unfettered free market, would support organizations that promote privatization. Undoubtedly, these corporate funders did not direct their grantmaking toward school reform but, like ExxonMobil, to the general operations of conservative think tanks whose advocacy agendas included support for school privatization. Their overall grantmaking agendas will include hefty commitments to public relations-acceptable organizations, perhaps epitomized by the anti-environmental ExxonMobil's high profile "Save the Tiger" wildlife grants.

But the number of large corporations funding the conservative organizations in this list cannot be dismissed simply as examples of grantmakers, like mainstream private foundations such as Gates and Annenberg, hedging their bets to provide grant support to both liberal and conservative organizations. In public policy think-tank terms, corporate grantmaking for organizations that promote anti-government, anti-regulation lines is consistent with their corporate agenda. Since a relatively small number of large corporations dominate corporate philanthropy, of which only a small part is disclosed to the public,⁵⁵ large corporate grantmaking to school privatization advocates may be more significant than the limited data on foundation grantmaking reveals.

C. HOW CONSERVATIVE FOUNDATIONS PUT RESOURCES INTO ACTION

The effectiveness of foundation grantmaking is not simply a matter of adding up the totals. Good grantmaking can be seen in a number of different foundation practices: the kinds of grants (general operating vs. project- or program-restricted), the availability of grant dollars for multiple years (addressing nonprofit sustainability), the numbers of grants (reaching more groups) and the geographic dispersion of grant recipients (toward con-

structing an infrastructure of organizations). The conservative funders of organizations promoting school choice and vouchers demonstrate a collective commitment to intelligent grantmaking that serves the needs of its movement partners.

In terms of the numbers of grants, several of the foundations in this list make multiple grants, obviously the larger ones such as Walton and Bradley, but also Hume and Roe, both less well-known to the general public (see Table 6).

The Roe Foundation of South Carolina, for example, appears to channel its funding consciously to a range of state-level activists, as opposed to funneling money only to large national think tanks. As distinct from foundations that make very large grants to a small number of foundations, the Roe grantmaking strategy implicit in these grants is a movement-building strategy. Bradley, Hume, Roe and others are giving money not just to Beltway think tanks, but to regional and state-level organizations able to connect with and mobilize constituencies that can be motivated by the school choice rhetoric. For example, in 2002, Roe made grants to 26 organizations totaling only \$450,000, to 22 organizations adding up to \$292,500 in 2003, and to 28 organizations for \$615,000 in 2004. In 2005, Roe provided grant assistance, sometimes small but still worthwhile, to 51 organizations amounting to more than \$788,000. Aside from an occasional six-figure

Table 6: Foundations Making More than Ten Grants to School Choice Advocates in 2005

Foundations	Number of Grants
The Roe Foundation (SC)	51
The Lynde and Harry Bradley Foundation, Inc. (WI)	37
Jaquelin Hume Foundation (CA)	36
Sarah Scaife Foundation, Inc. (PA)	18
Ruth and Lovett Peters Foundation (OH)	16
Edward A. and Catherine L. Lozick Foundation (OH)	15
Walton Family Foundation (AR)	15
ExxonMobil Foundation (TX)	12
F. M. Kirby Foundation, Inc. (NJ)	12
The William H. Donner Foundation (NY)	10

55. David Joulfaian, "Basic Facts on Charitable Giving," *OTA Papers* (Washington, D.C.: Office of Tax Analysis, Department of the Treasury, June 2005), www.ustreas.gov/offices/tax-policy/library/ota95.pdf.

grant to an advocacy group based in South Carolina, where the Roe Foundation is located, a large Roe grant is around \$25,000.

These Roe grantees should not be mistaken for neighborhood-based groups; in general, they operate on a state-level melding and integrating broader ideologically conservative policy agendas into coherent strategies with community-level audiences and institutions. Because the issue of school vouchers, education tax credits and overall school privatization resides on the agendas of state legislatures, the Roe Foundation's grantmaking strategy represents an important model for mid-sized and smaller foundations to make a mark toward building a socio-political movement. The Roe Foundation's grants contribute toward the operations of conservative public policy think tanks in nearly half the states of the U.S., demonstrating that effective grantmaking for public policy does not have to be a province limited to large foundations.

There is one anomaly to the Roe Foundation's generally reasonable support for state think tanks and small levels of support for such national groups as the Institute for Justice, the Cato Institute and a few others. Roe gave \$75,000 in 2004 and \$80,000 in 2005 to the Heritage Foundation, Roe's largest grants in this arena except for its South Carolina policy grant. While he may or may not have recused himself officially from the grantmaking decision, Roe board member Ed Feulner also happens to serve as president and CEO of the Heritage Foundation.⁵⁶

Table 7: Breakdown of 1,052 Conservative Foundation Grantmaking for School Choice Advocates in 2005

Grant Purpose	Percent of 2005 Grant Dollars
General operating support	26.64
General public policy activities (education, advocacy)	11.67
Education-specific projects or programs	39.99
Other project- or program-specific grants	17.25
Unknown/could not be determined	4.44

In many instances, trustees of grantmakers from foundations on this list also serve in staff or board positions among the nonprofit think tanks and advocates. Examples include Gisele Huff of the Jaqueline Hume Foundation, on the board of the Center for Education Reform; David R. Brown, on the boards of the Heritage Foundation and the Harry and Louise Brown Foundation; and Harry Teasley, who has a family foundation and is on the board of the Reason Foundation. Although some analysts suggest that it is the pattern of interlocking nonprofit directorates that glues conservative foundations to their grantees, there is no data to suggest that conservatives are more prone to these interrelationships than their ideologically opposite counterparts. More likely is the fact that conservative foundations provide grant support to the groups that agree with their positions and analysis, without the need for shared board seats to compel grantors to get money to grantees.

Past studies, such as the National Committee for Responsive Philanthropy's *Axis of Ideology*,⁵⁷ have suggested that conservative foundations are generous providers of general operating support⁵⁸ and, in turn, invest in their grantees' institutional capacity and long-term sustainability. This stands in contrast to the prevailing pattern of mainstream foundation grantmaking, which emphasizes project- or program-specific grants, leaving substantial control in the hands of grantmakers. These funders of school voucher advocates demonstrate a similar commitment to core operating support grantmaking. Table 7 shows a rough disaggregation of the 1,052 grants awarded by conservative foundations in 2005.

Whether or not it is a conscious objective, conservative foundations are engaged in movement-building grantmaking. They provide their grantees flexible funding, with limited strings with which funders can control and manage their grantees. By providing more than one-third of the grants in the form of general operating support and funding for public policy activities, these foundations are practicing smart grantmaking, since it gives their grantees—largely advocates in word and deed for the mission of school privatization—the kind of money they need to make an impact. Much of the grantmaking that had to be classified as “education-specific,” particularly from the Walton Family Foundation, is fun-

56. Feulner also has served on the board of the Sarah Scaife Foundation.

57. Jeff Krehely, Meaghan House and Emily Kernan, *Axis of Ideology* (Washington, D.C.: National Committee for Responsive Philanthropy, 2004).

58. General or core operating support is unrestricted capital that allows recipients to apply the grant dollars toward administrative, capacity building, technical support and project development. It also can be used to deploy resources in response to emergencies, unexpected issues and opportunities occurring in the field. Cf. Rick Cohen, *A Call to Action: Organizing to Increase the Effectiveness and Impact of Foundation Grantmaking* (Washington, D.C.: National Committee for Responsive Philanthropy, 2007), <http://www.ncrp.org/downloads/PDF/NCRP2007-ACalltoAction.pdf>

damentally core support funding as well, making the flexible funding total available to these organizations probably reach something along the lines of half of their foundation grant dollars.⁵⁹ Part of this may be simply a matter of ideological consistency: it would be difficult for conservative funders to complain about the rules-bound, inflexible public school systems they abhor if they were to provide philanthropic support in ways comparable to public school bureaucracies. Perhaps more accurate, however, is simply the longstanding coherence of conservative grantmaking, typically focused on building long-term capacity, providing healthy-sized grants with the flexibility that grant recipients need in order to take advantage of opportunities in turbulent political environments, and eschewing overly narrow topical grantmaking “silos.”

Among the grant recipients reviewed in this report, the top recipients of general operating support grants in 2005 scored impressive amounts (see Table 8).

In general, these conservative think tanks receive much higher proportions of grant support in the form of general operating grants than their liberal or left counterparts.⁶⁰ In this analysis, not only do these school privatization organizations do well with general operating support, they appear to be attracting the funding year after year, with indications that they benefit from long-term funding relationships and perhaps multi-year grants, as opposed to the more typical annual grant application churning that characterizes most foundations, many of which are exceptionally reluctant to fund the same organization for more than a few years running before requiring a funding hiatus.

The conservative strategy of building strong institutions that add up to a movement can be seen in the list of the largest general operating grantmakers in this list of funders, nine of the top ten known as mainstays of the conservative philanthropic sector (see Table 9).

In 2005, 7 operating foundations, 24 community foundations (more than likely through donor-advised funds), 430 other private (family or institutional) foundations and 39 corporate or corporate-related foundations were involved in making grants to these school privatization supporters.

Table 8: Top Ten School Choice Recipients of General Support Grants in 2005

Organizations	General Support Grant Totals
Heritage Foundation	\$2,404,010
Hoover Institution	2,322,902
American Enterprise Institute for Public Policy Research	1,410,000
Manhattan Institute for Policy Research Inc.	1,169,570
Cato Institute	1,156,645
Parents Advancing Choice in Education (PACE)	992,000
Focus on the Family	790,254
Institute for Justice	775,000
National Center for Policy Analysis	768,000
Oklahoma Council of Public Affairs	692,000

Table 9: Top Ten General Support Grantmakers to School Privatization Organizations in 2005

Foundations ⁶¹	Total Amount
The Lynde and Harry Bradley Foundation, Inc., WI	\$3,045,000
Sarah Scaife Foundation, Inc., PA	2,545,000
The Annenberg Foundation, PA	2,000,000
Jaqueline Hume Foundation, CA	1,955,263
The Samuel Roberts Noble Foundation, Inc., OK	1,600,000
Lilly Endowment Inc., IN	1,150,000
Mathile Family Foundation, OH	1,002,000
The Roe Foundation, SC	788,500
The Carthage Foundation, PA	710,000
ExxonMobil Foundation, TX	599,000

59. By the strict lines of our research methodology, virtually all the Walton grants were classified as education-specific project grants because they all came from its education department and were designated for education purposes. Time and budget constraints prevented us from examining more closely each of the Walton grants to determine more accurately if a grant was project-specific or was for the recipient organizations' general use, including their work on education. Because of these limitations, we erred on the side of caution and officially classified them all as education-specific grants.

60. Jeff Krehely and Meaghan House, *Not All Grants Are Created Equal: Why Nonprofits Need General Operating Support from Foundations* (Washington, D.C.: National Committee for Responsive Philanthropy, 2005).

61. Based on their grant descriptions, the Walton Family Foundation's grants to these organizations must be classified as “education-specific,” particularly since they are part of the Foundation's education portfolio, but the kinds of purposes the recipient organizations put them to look very much like general support and general public policy advocacy support.

The commitment of these funders, private foundations and corporate foundations to general support grantmaking is revealed by the relatively lower level of education-specific grants in their 2005 grant portfolios, and the significance of mainstream funders in that picture. The largest of the education-specific grantmakers in 2005, aside from the Walton Family Foundation, was the Gates Foundation. Out of more than \$1 billion in grants, the foundation gave \$2.3 million to the Thomas Fordham Institute plus \$170,000 to the Texas Public Policy Foundation. The Gates Foundation's total was double the next highest education-specific funder, the Bradley Foundation with \$1.4 million. The Gates Foundation has had a long cooperative relationship with the Republican governor of Texas, Rick Perry, around preparing high school students for post-secondary education. The Texas Public Policy Foundation grant in 2005, therefore, is not evidence of a Gates Foundation slide into school vouchers and, in any case, represents only a small proportion of the foundation's total grantmaking for that year.

Consistent with other studies on conservative foundations, the grants "payout" of the funders in this analysis is more aggressive and more generous than that of most foundations. By law, private foundations are required to spend a minimum of 5 percent of their assets annually for charitable activities. Foundations generally include most of their administrative expenses in their qualified

distributions, which means their actual grants-only payouts can be well below 5 percent. For the foundations in this analysis, few foundations are so limited in their grantmaking, as demonstrated in Table 10.⁶²

If we assume that grants payout levels of up to 6 percent are relatively common, even if not predominant among most grantmakers, just over half of these private non-corporate grantmakers to school privatization advocates were allocating extraordinary resources to these recipients. This is a lesson for effective public policy advocacy: if you want to have an impact, you have to put your resources into the hands or budgets of the organizations on the frontlines of doing the work. Conservative foundations understand this well, especially if their timeframes include taking advantage of immediate political opportunities.

D. THE POLITICAL MOBILIZATION OF SCHOOL CHOICE CAPITAL

The conservative school choice movement of funders, think tanks and advocates is not dependent simply on the 501(c)(3) nonprofit structure. The institutions described in this report are part of a mobilization of capital that takes advantage of the multiple nonprofit forms. The strategic origins of conservative funding for public policy changes can be traced back to a 1971 memorandum written by a Richmond, Virginia, lawyer, later a U.S. Supreme Court Justice, Lewis Powell.⁶³ Powell's treatise to the U.S. Chamber of Commerce addressed his—and the Chamber's—concerns about a left-wing assault on the free enterprise system, contrasting the value and productivity of a basically unfettered market economy in contrast with the government-dominated socialist (or "statism") models promoted by the "New Left." Although Powell focused on the purported attacks on the business sector, his conception of a strategic response called for multiple approaches: use of the media, paid advertisements, books and pamphlets, generating scholarly articles and articulate public spokespersons, legal challenges, and public policy advocacy in what he described as the "neglected political arena."

All of these approaches are easily discernable on the web sites of most of the conservative organizations promoting school choice through vouchers and tax credits. But conservatives—and liberal admirers of the effective-

Table 10: Grants Payout Percentages for Private, Non-Corporate School Choice Funders in 2005

Grant Distribution Ratios in 2005	Number of Funders
below 4 percent	21
4 to 4.5 percent	41
4.5 to 5 percent	57
5 to 5.5 percent	56
5.5 to 6 percent	24
6 to 7 percent	26
7 to 10 percent	35
Greater than 10 percent	154

62. Many if not most corporate foundations are funded annually by their corporate parents, thereby functioning with limited or no endowments, making payout calculations that include corporate foundations inherently faulty.

63. The Powell Memorandum originally was titled, *Confidential Memo: Attack on American Free Enterprise System*, but most web sites seem to title it "Attack of" rather than "Attack on." The memorandum originally was published by the U.S. Chamber of Commerce as an issue of the Chamber's *Washington Report*. See <http://www.mediatransparency.org/story.php?storyID=22>.

ness of conservative philanthropy over the years—also have adapted multiple nonprofit mechanisms for carrying forth their advocacy of school choice and other areas of privatization in the U.S. economy. In many cases, these 501(c)(3) think tanks and advocacy organizations are linked, sometimes formally, sometimes much more loosely, to an array of 501(c)(4) organizations, Political Action Committees and 527s. These conservative organizations do not have a monopoly on this practice, but increasingly effective advocacy groups operate through an array of these nonprofit forms to carry their messages.

- **501(c)(4) organizations** are tax exempt organizations that look like 501(c)(3) nonprofits in many ways, established with a primary purpose of promoting the “social welfare.” A (c)(4) can do lobbying to further its exempt purposes without the constraints and limitations on lobbying for (c)(3)s and, in some limited ways, can engage in political activities.⁶⁴ Unlike 501(c)(3)s, donations to (c)(4)s do not qualify as charitable deductions. A growing number of (c)(3)s have established separate but related (c)(4)s to engage in more extensive lobbying and political activity than they can do as (c)(3)s without jeopardizing their charitable tax status. Compared to some 1 million 501(c)(3) organizations, there are approximately 135,000 501(c)(4) organizations.⁶⁵
- **527 organizations** are tax exempt organizations set up with the primary purpose of influencing elections. Although awareness of 527s arose with the McCain-Feingold campaign finance reform legislation, they existed before that statute.⁶⁶ However, with the restrictions that McCain-Feingold established on other kinds of organizations, 527s became attractive because they can accept and spend donations not subject to campaign finance rules if they are not controlled by a federal candidate or coordinated with a candidate or campaign.⁶⁷ Since a 501(c)(4) cannot have as its primary purpose the objective of influenc-

ing elections, some 501(c)(4)s establish or are linked to separate 527s.

- **Political Action Committees or PACs** are organizations established by business, labor or other special interest groups specifically to raise money to make contributions to candidates the PAC supports, that is, “hard money” contributions for candidates, as opposed to “soft money” contributions from 527s. In theory, contributions to the PAC are voluntary from corporate employees, shareholders, union or organization members, etc. Like 527s, PACs have been around since the 1940s, though since McCain-Feingold, their contributions to candidates have been regulated and limited. Because of their hard money capabilities, 527s sometimes will be linked to PACs.⁶⁸

The relevance of these alternatives to 501(c)(3)s in the context of school choice is the implication of a Campaign Finance Institute study of several national organizations with (c)(3), (c)(4), 527, and PAC arms:

“These organizations often appear as commonly-managed entities within a single interest group’s public policy network...work(ing) together to accomplish the group’s overarching objectives, including its election ones.”⁶⁹

While it is exceptionally difficult to identify and link 501(c)(3) organizations to affiliated (c)(4)s, 527s and PACs, especially for organizations that function largely on a state rather than national level, a task beyond the scope of this report, some examples of the metastasizing of these think tanks from advocacy to more direct political activities including the following 501(c)(4) organizations:

- Parents for Choice in Education (Utah)
- Advocates for School Choice (Ariz.)
- DC Parents for School Choice (D.C.)
- Floridians for School Choice Legislation (Fla.)
- Minnesotans for School Choice (Minn.)

64. Internal Revenue Service, “Social Welfare Organizations,” <http://www.irs.gov/charities/nonprofits/article/0,,id=96178,00.html>.

65. See the 2006 IRS Data Book (<http://www.irs.gov/pub/irs-soi/06databk.pdf>), Table 25; while the number of 501(c)(3) organizations has increased in recent years, the number of 501(c)(4) social welfare organizations has decreased from 138,193 in 2004 to 135,155 in 2006 and is down 5 percent since 1997 (cf. Independent Sector, “Facts and Figures About Charitable Organizations,” http://www.independentsector.org/programs/research/Charitable_Fact_Sheet.pdf).

66. During the 2004 election cycle, some of the better known 527s were Swift Boat Veterans for Truth, which challenged John Kerry’s Vietnam service credentials, and America Coming Together, dedicated to the defeat of President George W. Bush.

67. NP Action, “What’s the Definition of a 527 Organization (‘Hey You Asked’ Answer,” <http://www.npaction.org/article/articleview/490/1/247>.

68. An example of an organization with a 501(c)(4), 527, and PAC is MoveOn.org.

69. Stephen Weissman and Kara D. Ryan, *Nonprofit Interest Groups’ Election Activities and Federal Campaign Finance Policy: A Working Paper* (Washington, D.C.: The Campaign Finance Institute, July 2006), p. 3, http://www.cfinst.org/books_reports/pdf/NonprofitsWorkingPaper.pdf.

- Parents for School Choice (N.Y.)
- Parents for School Choice (Mo.)
- American Civil Rights Coalition (Calif.)⁷⁰
- Americans for Limited Government (Ill.)
- Institute for Educational Reform (Va.)
- Parents Alliance for Choice in Education (Colo.)
- United New Yorkers for Choice in Education (N.Y.)

In addition to these, a search of 501(c)(4) lists reveals a number of other shell organizations without evidence of much activity or fundraising, but ready to go into action should a more politically engaged school choice agenda arise.

None of this should be read as suggesting that opponents of school choice do not also create (c)(4), 527 and PAC organizations. In many of these instances, the

school choice organizations read not as representatives of the unions (for example, many teachers unions have (c)(4) and PAC affiliates), but as vehicles for concerned parents aggrieved about the quality of the schools educating their children.

None of these tools for the political mobilization of capital are exclusively liberal or conservative. Although focused on philanthropic support for school voucher promoters, this analysis reminds all of us that foundation strategies do not operate in a vacuum but are linked to the mobilization of other forms of political capital when there is a public policy goal in mind.

The political engagement of school choice think tank and advocacy organizations, supported by a wide array of funders, mirrors the political campaign contributions of their leaders. In researching the political contributions of 957 identifiable executive directors and board

Table 11: Top Ten Republican Party Vehicles Receiving Donations from Pro-School Choice Foundation and Nonprofit Leaders from 2000–2008

Republican Party Organization	Amount Received from Foundation Executives
RNC State Elections Committee	\$2,999,261
Republican National Committee	2,281,184
National Republican Senatorial Committee	1,282,405
National Republican Congressional Committee	723,376
Colorado Republican Campaign Committee	179,500
Republican Federal Committee of Pennsylvania	120,884
Republican Party of Florida	109,959
Republican Party of Ohio	109,912
Republican Party of Minnesota	79,662
Republican State Committee of Michigan	70,443

Table 12: Top Ten Republican Candidates Who Received Campaign Contributions from Pro-School Choice Foundation and Nonprofit Leaders from 2000 to early 2008

Candidate	Campaign contributions
George W. Bush	\$445,650
U.S. Sen. John Thune (R-S.D.) ⁷¹	118,533
U.S. Sen. Rick Santorum (R-Pa.)	110,175
U.S. Senate Candidate Rick Lazio (N.Y.)	104,499
Presidential Candidate/ U.S. Sen. John McCain (R-Ariz.) ⁷²	67,750
U.S. Sen. Mike DeWine (R-Ohio)	66,126
U.S. Sen. John Cornyn (R-Texas)	58,900
U.S. Senate Candidate Pete Coors (Colo.)	57,815
U.S. Sen. George Allen (R-Va.)	56,050
U.S. Sen. James DeMint (R-S.C.)	55,750

70. Notable as the 501(c)(4) arm of the American Civil Rights Institute run by Ward Connerly, who is known for his energetic opposition to affirmative action laws (his Proposition 209 initiative) and racial/ethnic data collection (the Prop 54 ballot initiative) in California. According to newspaper reports, Connerly received a salary of more than \$1,000,000 from his 501(c)(3) organization, whose total budget was only \$2.2 million in 2004. He also pocketed an additional \$700,000 as a consultant and through other mechanisms. See Rick Cohen, "Ward Connerly and a Small Lesson in Nonprofit Accountability," *Keeping a Close Eye*, May 17, 2006, <http://www.ncrp.org/blog/2006/05/ward-connerly-and-small-lesson-in.html>.

71. John Thune was a U.S. Congressman for the 2000 election cycle, ran for the U.S. Senate and lost in 2002, and then ran for the U.S. Senate and won in 2004. The political contributions here combine contributions to all of Thune's campaigns.

72. Donations for McCain's senatorial and presidential campaigns.

chairs of the think tanks and their funders, 368 had contributed to Republican candidates or causes during the 2000, 2002, 2004, 2006 and the beginning of the 2008 electoral cycle, while only 121 donated to Democratic candidates or vehicles. Donations to Republicans exceeded donations to Democrats by a ratio of more than 8 to 1, with \$13,141,374 going to Republican Party candidates or vehicles compared to only \$1,612,141 to the opposition Democrats.

Because campaign finance laws restrict individual donations to candidates of \$4,600 per electoral cycle (half for the primaries, half for general elections), many foundation leaders chose to give sizable amounts of funds to national committees that, in turn, can direct the funds to individual races. As Table 11 below shows, the majority of total funds donated to the Republican cause were given directly to the Republican Party itself, exempt from restrictions on how much an individual donor might donate. Single donations of more than \$100,000 were not uncommon for many of the foundation leaders.

In terms of individual Republican candidates, President Bush received the largest overall total of donations from foundation and nonprofit leaders, followed by Senator John Thune of South Dakota. The candidate to receive the most during one election cycle, 2000,

U.S. Senate candidate Rick Lazio of New York, received more than \$100,000. It would be difficult if not impossible to suggest that these political contributions were due primarily to Bush's, Thune's, or Lazio's school choice positions, but their broader political merits to conservative donors. But school choice is part of that conservative ideological scenario, reflected in the school choice components that continue to crop up in the reauthorization of the Bush Administration's No Child Left Behind program.⁷³

Among Democrats, the recipient of the highest amount of contributions from these individuals has

Table 14: Contributions of Walton Family Foundation Board Members to Republican and Democratic Candidates and Party Vehicles in 2000 to early 2008

Walton Family Foundation Board Member	Republican Donations	Democratic Donations
Steuart L. Walton	\$4,000	\$0
Jim Walton	475,750	4,200
S. Robson Walton	298,012	11,200
Alice Walton	4,000	0
John T. Walton	196,099	58,000
Carrie W. Penner	102,341	4,000

Table 13: Largest Individual Donations by Pro-School Choice Foundation and Nonprofit Leaders to Republican Candidates and Party Vehicles in 2000 to early 2008

Donor	Organizational Affiliation	Total Contributions
James R. Leininger	PAL Foundation	\$891,831
John Marks Templeton ⁷⁴	The Templeton Foundation	592,055
John F. Hotchkis	Janeway Foundation	357,395
Theodore J. Forstmann	Parents in Charge	344,674
Edward A. Lozick	Edward A. & Catherine L. Lozick Foundation	295,450
James J. Shinn	Princeton Brooke Foundation	285,811
Jack C. Taylor	Enterprise Rent-a-Car Foundation	281,935
John F. Donahue	Donahue Family Foundation	265,478
Marilyn Ware	The Woods Charitable Foundation	262,964
John P. McGovern	John P. McGovern Foundation	256,700

73. The President's original conception of the No Child Left Behind would have allowed children in failing schools to opt for private school alternatives, but that was not enacted in the final version of the bill in 2001. Recent discussions around the reauthorization of NCLB have moved conservatives in Congress to resurrect calls for school vouchers as an opt-out possibility, including \$4,000 scholarships for children to go to private schools. Cf. Gail Russell Chaddock, "'No Child Left Behind' losing steam: GOP lawmakers are among the biggest critics of Bush's school reform program," *Christian Science Monitor*, March 21, 2007, <http://www.csmonitor.com/2007/0321/p01s01-legn.htm>.

74. This combines contributions from Templeton the father and Templeton the son, both with the same name, and not easily or reliably differentiated in the [opensecrets.org](http://www.opensecrets.org) database.

been Senator Joseph Lieberman, with a total of \$83,650. However, Lieberman received significant support from Republican donors in his 2006 reelection effort running as an Independent, having lost the Democratic primary to a more liberal candidate.

Individual donors' philanthropic contributions sometimes are quite closely matched by generous donations to political candidates and parties, despite their lack of charitable tax deductibility. The largest donors to Republican candidates and party vehicles are listed in Table 13.

The amount of political contributions to Republicans by the conservative funders and think tankers in this report would jump by almost one-fifth if we added to the list the \$1,080,202 in political campaign contributions from six members of the Walton Family Foundation board (see Table 14.)

Individual donors to Democratic candidates and causes were much less, except for Sanford R. Robertson of the Jeanne and Sanford Robertson Fund, whose contributions of \$575,100 accounted for more than one-third of the total of funding to Democrats. Founder of the world's largest technology buy-out firm, Robertson has a history of supporting entrepreneurship (he was the 2004 recipient of the Lifetime Achievement in Entrepreneurship & Innovation Award from the Haas School at the University of California at Berkeley) and has served on the board of the Schwab Fund for Charitable Giving.

IV. Impact of School Privatization on Public Policy

The movement for school vouchers and overall school privatization is alive and well. It may not have scored major victories across the nation, but it has had its effect on the American public in many other ways.

- Much of the American public has long admired the “parochial” schools of the Catholic Church for their discipline, the school uniforms and the strict back-to-basics kind of education offered. Many parents are willing to have their children participate, if only silently, in Catholic rituals in order to give their kids an education that they consider superior to public schools; consequently, more than 13 percent of Catholic school children are not Catholic.⁷⁵ The minority proportion of the Catholic school population has increased from 10.8 percent in 1970 to more than 25 percent in 2007. However, for reasons relating to the challenges of school financing, maintaining relatively low tuition costs⁷⁶ and demographics, the number of Catholic schools has declined almost 10 percent in the past decade, and more parochial schools close every year. Consequently, the 1992 Supreme Court decision that affirmed the use of school vouchers in religious schools has been a touchstone for the support of groups such as the National Catholic Education Association (NCEA) for school choice. For example, 80 percent of pupils at seven

Catholic elementary schools in Cleveland are subsidized by Ohio’s publicly funded school vouchers.⁷⁷ The NCEA was heartened by the U.S. Supreme Court decision permitting publicly funded vouchers to be used for pupils attending private religious schools such as parochial schools,⁷⁸ not as a means of religious proselytizing, but simply to maintain the Catholic Church’s historic commitment to making education part of the service functions of local parishes.

- In the vast devastation wrought by Hurricane Katrina in the fall of 2005, large numbers of public schools and Catholic schools were put out of commission by the storm and only very slowly brought back on line; 1,100 schools were shut two weeks after the hurricane.⁷⁹ Nine months after the storm, only two-thirds of the public schools had reopened in the New Orleans metro area and about one-third in outlying areas. In the Catholic school system, which served nearly as many pupils in New Orleans as the public schools, massive damage to physical properties forced the Archdiocese to close or consolidate many of its 107 schools.⁸⁰ As of April 2007, the U.S. Department of Education claims that among the K-12 schools in the Gulf states, 99 percent in Mississippi and 95 percent in Louisiana were open, while only 50 percent in New Orleans purportedly were “meeting population

75. Dale McDonald, “United States Catholic Elementary and Secondary Schools 2006-2007,” (Washington, D.C.: National Catholic Education Association), <http://www.ncea.org/news/AnnualDataReport.asp>.

76. According to the National Catholic Education Association, the mean parochial school tuition for elementary school pupils is \$2,607, but the per-pupil cost is \$4,268; for secondary school pupils, the mean freshman tuition is \$6,906, but the per-pupil cost is \$8,743.

77. Associated Press, “State Vouchers Stabilize Catholic Schools,” *The Plain Dealer*, July 8, 2007, <http://www.goldwaterinstitute.org/AboutUs/ArticleView.aspx?id=1671>.

78. National Catholic Education Association, “Parental Choice in Education: A Statement by the Catholic Education Association, December 6, 2002,” <http://www.ncea.org/About/NCEAPolicyStatements.asp#Parental%20Choice%20in%20Education>.

79. U.S. Department of Education, “Helping Gulf Coast Students Read and Succeed,” Fact Sheet April 18, 2007, <http://hurricanehelpfor.schools.gov/030206-factsheet.html>.

80. Leslie Eaton, “In Storm’s Aftermath, Catholics Retrench,” *New York Times*, February 10, 2006.

needs⁸¹ because of the huge proportion of families still displaced and living elsewhere.⁸² Conservatives in Congress looked at the rebuilding challenge of the Gulf Coast as “an opportunity to make the rebuilding of the region a test-tube for the implementation of all of their back-pocket policy theories that generally have been thwarted at the national level—school vouchers, entrepreneurial zones and more,”⁸³ and the devastation of the schools has created just such an opportunity. One year after the hurricane in New Orleans, privately run charter schools outnumbered schools operated directly by the New Orleans Public School system, leading to the prospect that New Orleans might become an all-charter district.⁸⁴ For the 2006–2007 school year, 21 different entities will be operating the 53 open K–12 schools in New Orleans.⁸⁵ While the federal government was unable to insert vouchers into the portfolio of post-Katrina aid to schools,⁸⁶ and efforts⁸⁷ at the state level to enact voucher programs have failed narrowly,⁸⁸ major think tanks promoted the issue.⁸⁹ School voucher programs continue to be part of discussions aimed at rebuilding public education in the city, taking advantage of the history of New Orleans with the highest rate of private school attendance in the nation.⁹⁰

- Local, state and national political leaders continue to express sentiments that appear open to considering school vouchers. At the national level, even if the sentiments come from relatively minor candi-

dates, the school privatization issue remains fixed on the public’s radar screen. Republican presidential candidate Rep. Duncan Hunter (Calif.), pitching to a conservative constituency in the Republican electorate, has made support for school vouchers part of his platform,⁹¹ while fellow presidential hopeful Tom Tancredo (R-Colo.) is vocally in support of both vouchers and tax credits for parents sending their kids to private schools.⁹² Quite the opposite of Hunter and Tancredo in electoral stature, the Republican Party’s frontrunner in the presidential race, Rudy Guiliani, has long supported school vouchers and has not backed off that position during his campaign.⁹³ He, in fact, made it one of his 12 commitments to implement once elected. Among Democrats, only Alaska’s Mike Gravel is on record favoring school vouchers,⁹⁴ but other candidates have walked a fine line between supporting school experimentation such as charter schools while rejecting vouchers. The very popular African American politician Harold Ford Jr., who lost a very close election for senator in Tennessee and now serves as head of the centrist Democratic Leadership Committee, is on record as saying, “I love vouchers.”⁹⁵ A new organization, Democrats for Education Reform, seems to favor some limited voucher experiments, not surprising with the presence of former Washington, D.C., mayoral candidate Kevin Chavous, a longtime school voucher supporter, and D. Boykin Curry, a board member of the

81. U.S. Department of Education, Op. cit.

82. Hurricane Katrina displaced some 200,000 pupils in Louisiana alone, approximately 26 percent of the pre-storm K–12 enrollment, according to a study by the Rand Corporation: John F. Pane, Daniel F. McCaffrey, Shannah Sharp-Taylor, Gary J. Asmus, and Billy R. Stokes, *Student Displacement in Louisiana After the Hurricanes of 2005: Experiences of Public Schools and Their Students* (California, Virginia, Pennsylvania: The Rand Corporation, 2006), http://www.rand.org/pubs/technical_reports/2006/RAND_TR430.pdf. Overall, in the Gulf Coast region, 372,000 students were displaced (see: Greg Toppo, “Educators Give FEMA a Big ‘F,’” *USA Today*, April 30, 2006, http://www.usatoday.com/news/education/2006-04-30-katrina-recovery_x.htm).

83. Rick Cohen, “Nonprofits’ Highest Calling: Ensuring the Rights of the Dispossessed,” *Nonprofit Quarterly E-newsletter*, September 2005, <http://www.nonprofitquarterly.org/section/752.html>.

84. Becky Bohrer, “Educators Pro and Con Have Stake in Charter Experiment,” *Houston Chronicle/Associated Press*, October 19, 2006, <http://www.chron.com/dispatch/story.mpl/hurricane/4274492.html>.

85. Christopher Burton, Keva Carr, Adriane Frazier, et. al. *Dismantling a Community* (Washington, D.C.: Center for Community Change, 2006), <http://communitychange.org/issues/education/publications/downloads/DismantlingFULL.pdf>

86. School vouchers were described as the “centerpiece” of President Bush’s Katrina rebuilding plan in Elena Schor, “Public-School Lobbyists on Guard against Voucher Proposal,” *The Hill*, September 29, 2005.

87. The Archdiocese of New Orleans has lobbied extensively for state school voucher programs. See Bruce Nolan, “Job requires too much, Maestri says; Catholic schools leader must be full time, he and archdiocese say,” *Times-Picayune*, February 1, 2007.

88. “Experiment in the schools,” *The Advocate*, July 13, 2007, and also Jordan Blum, “Panel Cuts Voucher Proposal,” *The Advocate*, June 6, 2007.

89. Among the conservative think tanks pitching school vouchers as interim or permanent responses to the post-Katrina education challenge in the Gulf were the Cato Institute and the Heritage Foundation. See Diane Farsetta, “Katrina and Right-Wing Think Tanks,” ed. Alexander Cockburn and Jeffrey St. Clair, *Counterpunch*, September 23, 2005, <http://www.counterpunch.org/farsetta09232005.html>.

90. Charles Lussier, “School Work Unfinished,” *The Advocate*, August 5, 2007.

91. Carol Hunter, “Hunter on a mission to bolster defense,” *Des Moines Register*, July 27, 2007.

92. Maggie O’Brien, “Tancredo stresses priority on choice,” *Des Moines Register*, July 22, 2007.

93. “Choice Rising,” *New York Sun*, Editorial, July 27, 2007.

94. Alex Koppelman, “Don’t Worry, Be Mike Gravel,” *Salon.com*, May 7, 2007.

95. Scott MacKay, “Ex-congressman says Democrats have a perception problem,” *Providence Journal*, March 20, 2007.

Alliance for School Choice, in DFER's leadership.⁹⁶ Perhaps most significantly, the new young African American mayor of Newark, N.J., Cory Booker, is on the board of directors of Excellent Education for Everyone, the Alliance for School Choice (with Clint Bolick, former president and general counsel of the Alliance), and the Black Alliance for Educational Opportunity (founded by Howard Fuller, a former senior official in the Milwaukee public schools). While Booker has backed away from explicit support of school vouchers, he remains an advocate of school tax credits that would fund scholarships for children to attend private K–12 schools.⁹⁷

As much as some people would like to declare the movement for school vouchers and education tax credits dead and buried, that is not the case. Voucher promoters have not had the successes they have imagined based on popular antipathy toward public schools. A 1999 Gallup poll suggested that even with government paying the full freight of tuition costs for private or religious schools, 39 percent of respondents would take their kids out of public schools.⁹⁸ In Ohio in 2007, a major voucher battleground, 42 percent of poll respondents there approved the idea of allowing for-profit companies to run charter schools and one-third called for expanding vouchers beyond Cleveland, both proposals opposed by Democratic Governor Ted Strickland.⁹⁹ The proportion opposing vouchers in a 2006 poll of Ohioans was a much narrower 49 to 42 percent (the remainder undecided) in a poll conducted by the KnowledgeWorks Foundation.¹⁰⁰ If targeted to low-income families, vouchers get the support of 45 percent of all respondents to a national Hoover Institution poll (and 61 per-

cent of Hispanic and 68 percent of African American respondents, compared to only 38 percent of whites).¹⁰¹ A poll of Georgia voters conducted by the Milton and Rose D. Friedman Foundation found that 58 percent of respondents believed that vouchers would improve K–12 education.¹⁰² Despite sizable populations open to vouchers as a response to K–12 education issues, those numbers and other comparable poll results have not translated into widespread legislative success for voucher advocates.

Nonetheless, legislative initiatives in favor of vouchers and tax credits continue to arise in state legislatures and Congress:

- This year, two bills in the Florida legislature for dollar-for-dollar tax credits for contributions to scholarship programs to pay for K–12 tuition costs attracted broad support from civil rights leaders and politicians of both parties.¹⁰³
- A state tax credit program for K–12 scholarships won the endorsement of New York State's Democratic governor Eliot Spitzer.¹⁰⁴
- In the Georgia state legislature, legislators introduced a bill to give corporations and individual taxpayers three-fourths tax credits for donations to private and public schools (with a more attractive formula for donations to private schools) as a companion to voucher legislation for disabled pupils.¹⁰⁵
- An oddly constructed bill introduced in Missouri would give donors a generous state charitable tax deduction for contributions to private education scholarship foundations. The scholarships would go to families whose children go to unaccredited public schools; they would be used ostensibly to enroll kids in neighboring accredited school systems, but if

96. Justin Torres, "Democrats for Education Reform: A new grassroots lobbying group plans to shake up its party's positions on education," *Philanthropy Magazine*, June 19, 2007, <http://www.philanthropyroundtable.org/article.asp?article=1468&cat=139>.

97. Steven Malanga, "Cory Booker's Battle for Newark," *City Journal* (New York: The Manhattan Institute, Spring 2007), http://www.cityjournal.org/html/17_2_cory_booker.html.

98. Lowell C. Rose and Alec M. Gallup, *The 31st Annual Phi Delta Kappa/Gallup Poll of the Public's Attitudes Toward the Public Schools*, (Indiana: Phi Delta Kappa International, last updated August 20, 1999, <http://www.pdkintl.org/kappan/kpol9909.htm>.

99. Scott Stephens, "School financing plan has support; Amendment favored in statewide survey," *Plain Dealer*, June 10, 2007.

100. "New Poll Charts Ohioans' Positions on Education Issues Key to Governor's Race; Survey gauges opinion on school funding, charter schools, standardized tests and more," *PR Newswire*, September 28, 2006.

101. "Education Next: New National Survey Shows Majority of Americans Support Reauthorization of No Child Left Behind," *Business Wire*, July 30, 2007.

102. Jim Wooten, "Action now can improve education," *Atlanta Journal-Constitution*, April 17, 2007.

103. Adam B. Schaeffer, "School choice: Florida can add momentum," *Orlando Sentinel*, April 24, 2007.

104. Adam B. Schaeffer, "Break-Through in School Choice," *New York Sun*, February 14, 2007. Spitzer's predecessor, Republican George Pataki, had proposed an education tax credit for home schoolers, supported by some Jewish, Catholic and Lutheran educators and parents, but legislative opposition to the fear that the credits would be used for private school tuitions ended up with a tax credit program of approximately \$300 per child for all children aged 4 to 17, with no specific link to education (the Empire State Child Tax Credit). See Adam B. Schaeffer, "Credit Where Due," *National Review*, November 2, 2006.

105. Kevin Duffy, "Legislature 2007: Bill sets tax breaks for education donors; Aim is to help low-income, disabled students," *Atlanta Journal-Constitution*, February 13, 2007.

those systems rejected the pupils, the families could enroll their children in private schools with the benefit of the scholarships.¹⁰⁶

For advocates of school vouchers and broader privatization schemes, education tax credits that support scholarship programs for children attending private schools outside of public school systems is an attractive, politically palatable strategy for winning support from liberals in addition to conservatives, with the benefits spreading from public schools to non-public alternatives. The notion of tax deductions or credits for charitable donations frequently garners broad support because of the assumption that charitable donations are automatic “goods,” tapping the generosity of the American public. Observers sometimes forget that deductions or credits cost federal revenues and make incentives particular kinds of behaviors and policies at the expense of others. Like the various state initiatives, federal legislators continue to pitch charitable tax deductions and credits that would subsidize tuition costs for K–12 pupils at private schools, including these from the 110th Congress:¹⁰⁷

- H.R. 2706, introduced by Congressman Trent Franks (R-Ariz.) with 22 cosponsors (the Children’s Hope Act of 2007), would piggyback a small federal tax credit for contributors to “education investment organizations” on top of taxpayers’ receiving state tax education tax credits.
- Congressman and presidential candidate Ron Paul (R-Texas) introduced the Family Education Freedom Act of 2007 (H.R. 1056), which would allow dollar-for-dollar tax credits for tuition paid to private elementary and secondary schools up to a cap of \$5,000 per student. Rep. Paul described his bill as a step toward “consumer sovereignty” that would help parents of home schoolers as well as private school pupils. Paul also introduced a companion bill, the School Improvement Tax Cut Act (H.R. 1057), which allows \$5,000 tax credits for donations to school tuition scholarship programs and for donations to school materials organizations (providing equipment and materials for elementary and secondary schools).

Rep. Paul’s bill actually is a repeat of his legislation suggestion from two years earlier, and he was joined by other legislators with education tax credit bills prior to the 110th Congress:

- During the 109th Congress in 2006, Republican Congressman Phil English of Pennsylvania introduced H.R. 4834, also known as the Businesses Supporting Education Act of 2006. The bill would have given tax credits to corporations up to \$100,000 per corporation for donations to tax exempt scholarship organizations that assisted students below 250 percent of federal poverty guidelines.
- Also in the 109th, Florida Senator Mel Martinez (now Secretary of the Department of Housing and Urban Development) introduced S.3792, the Tax and Education Assistance for Children (TEACH) Act of 2006 to provide for a tax credit for parents’ expenses in sending children to private or religious elementary or secondary schools. TEACH would have given parents a 100 percent tax credit of up to \$4,500 for single individuals and taxpayers filing joint returns, and \$2,250 for married individuals filing separate returns.

For advocates of school vouchers and other privatization models, there is no contradiction between support for charter schools and support for school vouchers; they both are mechanisms for introducing choice in K–12 education. In a more straightforward way, education tax credits function as disguised school vouchers, providing public capital in the form of foregone tax revenues to support children leaving the public school system in favor of private school alternatives. Where vouchers sometimes trigger viscerally negative reactions as straightforward assaults on the public school system, tax credits do not, and poll results suggest that a higher proportion of Americans support education tax credits than vouchers.¹⁰⁸

Support for school vouchers, school choice and education tax credits does not exist simply because of the hopes, aspirations, disappointments and frustrations of schoolchildren’s parents. Their awareness of school privatization options is supported by an array of advocacy institutions, think tanks and scholarship organizations that function to create a consciousness that there are alternatives to traditional public schools. The Cato Institute, the Heritage Foundation, the Heartland Institute and many others monitor and promote news about polls, bills and programs, placing articles and op-eds in local and regional newspapers around the nation to maintain and increase public awareness and support for school privatization.

106. Matthew Franck and Steve Giegerich, “School choice plan gathering momentum,” *St. Louis Post-Dispatch*, January 21, 2007.

107. Coverdell Education Savings Accounts (formerly known as Education IRAs) are allowed under federal law, but not as charitable tax deductions. Rather, donations to ESAs for income-eligible families (as high as \$220,000 for joint return filers) up to \$2,000 a year can be used for elementary and secondary school tuitions and other costs, and taxed only when distributed. Cf. Internal Revenue Service, “Coverdell Education Savings Account,” <http://www.irs.gov/publications/p970/ch07.html>.

108. For example, Adam Schaeffer reports poll data on support for education tax credits at more than two to one in South Carolina, two-and-a-half to one in Missouri, and three to one in Kentucky. See Adam Schaeffer, “People Are Ready for Real Education Reform,” *The Post and Courier*, June 28, 2007, http://www.cato.org/pub_display.php?pub_id=8475.

V. Conclusion

While not taking a position pro or con regarding school privatization, this report describes an array of funders keeping the prospect of school vouchers alive. The characteristics of this sector of funders include the following:

- A large number of funders, primarily family foundations,¹⁰⁹ support a national array of think tanks and advocates that provide effective, sober and attractive arguments, statistics, analyses and poll results to support school privatization;
- Leaders of foundations and nonprofits in support of school choice are more likely to contribute individually to a Republican Party candidate or vehicle than to a Democratic counterpart;
- Some large funders, notably the Walton Family Foundation, are willing and able to capitalize effective and aggressive advocacy;
- Conservative foundations frequently provide multi-year and generally unrestricted core support or funding otherwise specifically usable for public policy advocacy and community organizing;
- Funders of school choice exhibit a willingness to mobilize capital for expressly political institutions, ranging from direct contributions to political candidates and political parties to support for PACs and 501(c)(4) “social welfare organizations;” and,
- These funders have been successful in paving the groundwork for support for privatized educational options such as for-profit operators/managers of charter schools and corporate education tax credits, even if these options are not the equivalent of school vouchers.

This is a philanthropic movement that captures only a small proportion of the \$40 billion in annual grantmaking by U.S. foundations. But it taps a sentiment in philanthropy and in the public that private sector alternatives, with the bottom line motivation of the for-profit sector, somehow is automatically and authentically more efficient and effective than the public sector, statistical data to the contrary notwithstanding. As the nonprofit sector increasingly adopts for-profit models of “social enterprise,” the basis for continuing philanthropic support for school privatization schemes becomes obvious.

Every indication we have is that the school privatization advocacy and grantmaking organizations identified in this report are only part of a larger movement of money and political action. But these foundations deserve credit for serving as the capital bulwark for a movement that has had significant impact in shaping the public’s understanding of K–12 education, and for getting the public to assume that public education doesn’t work, may not be repairable, and is less effective than privatized education. For any number of reasons, sometimes related to the actual costs of school vouchers and their impacts on the schools and students that get left behind, sometimes because voters end up believing that it is crucial to focus on and reinvest in public schools, school voucher strategies have not made huge legislative and administrative headway in most states. But opponents of vouchers would be wrong to underestimate the array of school privatization advocates ready to enter the fray whenever an opportunity arises. School voucher advocates have sensed and capitalized on the frustrations of many parents with the perceived inabilities of public school systems to

109. The distinction between “family” foundations and “institutional” foundations is difficult to make from simply examining foundations’ 990PFs, but at least 250 foundations in the 2005 grantmaking list appear to be private, non-corporate, non-community foundation grantmakers with assets of less than \$10 million.

respond to the needs of their children. When people feel powerless, trapped and without options in the public schools, even if those feelings are not justified by the facts of public school administrators and teachers willing and eager to make changes, the attraction of privatization is powerful. Conservative foundations and their nonprofit partners have successfully advanced the notion that school vouchers are a critical option that parents should be allowed to access for their children.

School vouchers and related strategies of school privatization are not dead, but are flourishing around the nation as a persistent alternative ready to be implemented when public school systems falter. Conservative foundations, large and small, deserve credit for deploying their philanthropic capital to build and sustain this political movement. This is strategic philanthropy at its best, following a thoughtful agenda of building diverse coalitions, conducting research and polling, and getting active at all levels of the political debate through 501(c)(3) and other tax exempt instruments. This is a philanthropic playbook that other foundations interested in effective movement-building might learn from.

Appendix: 132 Organizations in Support of School Vouchers or Tax Credits

Organization	State	Organization	State
4Choice	FL	Commonwealth Education Policy Institute of Virginia Commonwealth University	VA
Acton Institute for the Study of Religion and Liberty	MI	Commonwealth Foundation for Public Policy Alternatives	PA
Alabama Policy Institute	AL	Competitive Enterprise Institute	DC
Alexis DeTocqueville Institution	NH	Concerned Women for America	DC
Allegheny Institute for Public Policy	PA	Cornerstone Institute of Idaho Inc	ID
Alliance for School Choice Inc	AZ	D.C. Parents for School Choice	DC
Alliance for the Separation of School and State	CA	Eagle Forum	IL
American Center for Law and Justice	DC	Educate New Mexico	NM
American Civil Rights Institute	CA	Education Freedom Fund	MI
American Enterprise Institute for Public Policy Research	DC	Education Next of Hoover Institution, Stanford University	MA
Americans for Limited Government	VA	Educational Guidance Institute Inc	VA
Ashbrook Center for Public Affairs at Ashland University	OH	Educational Research Analysts	TX
Association of American Educators	CA	Empire Center for New York State Policy	NY
Atlantic Legal Foundation	NY	Empower America	DC
Basics Project	IL	English First	VA
Beacon Hill Institute at Suffolk University	MA	Enter Stage Right	Canada
Belcher Foundation	KY	Equal Opportunity Foundation	DC
Black Alliance for Educational Options Inc	DC	Ethan Allen Institute	VT
Buckeye Institute for Public Policy Solutions	OH	Evergreen Freedom Foundation	WA
Calvert Institute for Policy Research Inc	MD	Excellent Education for Everyone	NJ
Cascade Policy Institute	OR	Faith and Reason Institute for the Study of Religion and Culture	DC
Cato Institute	DC	Flint Hills Center for Public Policy	KS
Center for Education Reform	DC	Floridians for School Choice	FL
Center for Educational Innovation	NY	Focus on the Family	CO
Center for Equal Opportunity	VA	Fraser Institute	Canada
Center for Ethics and the Free Market	MO	Georgia Public Policy Foundation	GA
Center for Individual Rights	DC	Goldwater Institute	AZ
Center for New Black Leadership	DC	Grassroot Institute of Hawaii Inc	HI
Center for Policy Research of New Jersey	NJ	Great Plains Public Policy Institute	SD
Center for Rebuilding America's Schools	IL	Greater Educational Opportunities Foundation	IN
Center of the American Experiment	MN	Heartland Institute	IL
Chalcedon Inc	CA	Heritage Foundation	DC
Children First /CEO America	AR	Hispanic Council for Reform and Educational Options	DC
Children's Scholarship Fund	NY	Hoover Institution at Stanford University	CA
Citizens for Excellence in Education of the National Association of Christian Educators	CA	Hudson Institute Inc	DC
Clare Boothe Luce Policy Institute	VA	Illinois Policy Institute	IL
Claremont Institute	CA		

Organization	State
Independence Institute	CO
Indiana Policy Review Foundation Inc	IN
Institute for Justice	VA
Institute for the Transformation of Learning at Marquette University	WI
James Madison Center for Free Speech	IN
James Madison Institute for Public Policy Studies	FL
John Birch Society	WI
John Locke Foundation Inc	NC
John William Pope Center for Higher Education Policy	NC
Josh McDowell Ministry	TX
Josiah Bartlett Center for Public Policy	NH
Kansas Public Policy Institute	KS
Locke Institute	VA
Lone Star Foundation and Report	TX
Mackinac Center for Public Policy	MI
Madison Center for Educational Affairs	DC
Maine Heritage Policy Center	ME
Maine Public Policy Institute	ME
Manhattan Institute for Policy Research Inc	NY
Maryland Public Policy Institute Inc	MD
Mercatus Center Inc	VA
Milton and Rose D. Friedman Foundation Inc	IN
Mississippi Center for Public Policy (Mississippi Family Council)	MS
National Association of Christian Educators	CA
National Center for Policy Analysis	TX
National Center for Public Policy Research	DC
Nevada Policy Research Institute	NV
New Yorkers for School Choice Research and Education Committee	NY

Organization	State
North Carolina Education Alliance	NC
Of the People	VA
Ohio Community Schools Center	OH
Ohio Foundation for School Choice	OH
Oklahoma Council of Public Affairs Inc	OK
Oregon Education Consumers Association	OR
Pacific Research Institute for Public Policy	CA
Parents Advancing Choice in Education (PACE)	OH
Partners Advancing Values in Education (PAVE)	WI
Partnership for Choice in Education	MN
Pioneer Institute for Public Policy Research	MA
Public Interest Institute	IA
Reason Foundation	CA
Reason Public Policy Institute of Reason Foundation	CA
Rio Grande Foundation Inc	NM
Rutherford Institute	VA
School Choice Works	
Shenango Institute for Public Policy	PA
South Carolina Policy Council	SC
Sutherland Institute	UT
Teen Aid	WA
Tennessee Center for Policy Research	TN
Texas Conservative Coalition Research Institute	TX
Texas Public Policy Foundation	TX
Thomas B. Fordham Institute	DC
Thomas Jefferson Institute for Public Policy	VA
Toward Tradition	WA
Virginia Institute for Public Policy	VA
Washington Policy Center	WA
Wisconsin Policy Research Institute	WI
Yankee Institute for Public Policy Studies Inc	CT

Strategic Grantmaking: Foundations and the School Privatization Movement

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